



富貴鳥股份有限公司 FUGUINIAO CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 01819



GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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



富貴鳥股份有限公司 Fuguiniao Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Number of Shares offered under the Global Offering	: 133,340,000 H Shares (subject to the Over-allotment Option)
Number of International Offer Shares	: 120,005,600 H Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 13,334,400 H Shares (subject to adjustment)
Offer Price	: Not more than HK\$10.04 per Offer Share and expected to be not less than HK\$7.17 per Offer Share, plus a brokerage of 1.0%, an SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Nominal value	: RMB1.00 per H Share
Stock code	: 01819

Sole Sponsor and Sole Global Coordinator



Joint Bookrunners and Joint Lead Managers



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, with the documents specified in the section headed "Appendix VIII – Documents Delivered to the Registrar of Companies and Available for Inspection" in this prospectus, has been registered with 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 of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

Our Company is established, and substantially all of our businesses are located, in the PRC. Potential investors in our Company should be aware of the differences in the legal, economic and financial systems between the mainland of the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of our Company. Such differences and risk factors are set out in the sections headed "Risk Factors" and in "Appendix V – Summary of Principal Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association" in this prospectus. Potential investors should consider carefully all the information set out in this prospectus and, in particular, the matters discussed in the above-mentioned sections.

The Offer Price is expected to be determined by agreement between the Joint Bookrunners (for themselves 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 Saturday, 14 December 2013 or such later date as may be agreed by the Joint Bookrunners and our Company, but in any event not later than Wednesday, 18 December 2013. The Offer Price will not be more than HK\$10.04 per Offer Share and is currently expected to be not less than HK\$7.17 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$10.04 for each Offer Share together with a brokerage of 1.0%, an SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$10.04.

The Joint Bookrunners (for themselves and on behalf of the Underwriters), may, with consent of our Company, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered 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, a notice of the reduction of the indicative Offer Price range will be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.fuguiniao.com. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or before Wednesday, 18 December 2013, the Global Offering will not become unconditional and will lapse immediately.

Prospective investors of the Hong Kong Offer Shares should note the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Hong Kong Offer Shares, are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 am (Hong Kong time) on the day on which dealings in the Shares first commence on the Stock Exchange. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been, and will not be, registered under the US Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "Qualified Institutional Buyers" in reliance on Rule 144A under the US Securities Act or another exemption from, or in a transaction not subject to, registration under the US Securities Act and (b) outside the United States in an offshore transaction in accordance with Regulation S under the US Securities Act.

10 December 2013

EXPECTED TIMETABLE⁽¹⁾

Latest time for completing electronic applications under White Form eIPO service through the designated website <u>www.eipo.com.hk</u> ⁽²⁾	11:30 a.m. on Friday, 13 December 2013
Application lists open ⁽³⁾	11:45 a.m. on Friday, 13 December 2013
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Friday, 13 December 2013
Latest time for completing payment of WHITE FORM eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 13 December 2013
Latest time for giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, 13 December 2013
Application lists close ⁽³⁾	12:00 noon on Friday, 13 December 2013
Expected Price Determination Date ⁽⁵⁾	Saturday, 14 December 2013

- (1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or beforeThursday, 19 December 2013
- (2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares – Publication of Results" in this prospectus fromThursday, 19 December 2013

EXPECTED TIMETABLE⁽¹⁾

- (3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.fuguiniao.com⁽⁶⁾ fromThursday, 19 December 2013

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function from.Thursday, 19 December 2013

Dispatch of H Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾⁽⁹⁾Thursday, 19 December 2013

Dispatch of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾Thursday, 19 December 2013

Dealings in the H Shares on the Stock Exchange expected to commence onFriday, 20 December 2013

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application 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 designated website at or before 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.
- (3) 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 Friday, 13 December 2013, the application lists will not open or close on that day. See the section headed "How to Apply for Hong Kong Offer Shares – Effect of Bad Weather on the Opening of the Application Lists" in this prospectus. If the application lists do not open and close on Friday, 13 December 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.
- (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 Hong Kong Offer Shares – Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Saturday, 14 December 2013 and, in any event, not later than Wednesday, 18 December 2013. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us by Wednesday, 18 December 2013, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) H Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on Friday, 20 December 2013 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

EXPECTED TIMETABLE⁽¹⁾

- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.
- (9) 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 Offering and have provided all required information may collect refund cheques (where applicable) and/or H Share certificates (where applicable) in person from our Company's H Share Registrar, 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. to 1:00 p.m. on Thursday, 19 December 2013. Applicants being individuals who opt for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, 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 Hong Kong Offer Shares – Dispatch/Collection of H Share Certificates and Refund Monies – Personal Collection – If you apply via Electronic Application Instructions to HKSCC" in this prospectus for details. Uncollected share certificates and refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares – Dispatch/Collection of H Share Certificates and Refund Monies" and "How to Apply for Hong Kong Offer Shares – Refund of Application Monies" in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Fuguiniao Co., Ltd. solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation 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. The distribution of this prospectus and the offering and sale 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 securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering.

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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 a summary, it does not contain all of the information that may be important to you. You should read the prospectus in its entirety 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 out in the section headed “Risk Factors” in this prospectus.

OVERVIEW

We are a major, established manufacturer and seller of footwear and a well-known seller of business casual menswear in China. According to the Frost & Sullivan Report, we were the third largest manufacturer of branded business casual footwear products and the sixth largest manufacturer of branded men's and women's footwear products in the PRC in terms of retail revenue for the year ended 31 December 2012, with a market share of 4.1% and 2.3%, respectively. According to Frost & Sullivan, the overall PRC footwear market consists of (i) men's and women's footwear, (ii) sports footwear and (iii) children's shoes. Our business focuses primarily on the men's and women's footwear sector, which can be further categorised into three segments: (i) formal footwear, (ii) business casual footwear and (iii) sports casual footwear. According to Frost & Sullivan, approximately 14.5%, 8.9% and 7.5% of the retail revenue of the overall PRC footwear market was attributable to branded business casual footwear, formal footwear and sports casual footwear segments for the year ended 31 December 2012. For further details of the overall PRC footwear market and the sector in which we operate, please refer to the section headed “Industry Overview – The PRC Footwear Market” in this prospectus.

We primarily manufacture and sell our products under our well-known Fuguiniao brand. The strength of our brand is a key factor in our business and we have received numerous awards recognising our products and the brands under which they are sold. From 1998 to 2012, our leather footwear products were named the “China Leather Shoes King” (中國真皮鞋王) or “China Leading Leather Shoes King” (中國真皮領先鞋王) four times by the China Leather Industry Association. Our Fuguiniao brand was recognised as a “China Well-known Trademark” (中國馳名商標) as early as January 1999. In 2002 and 2005, our Fuguiniao branded footwear was recognised as a “China Top Brand Product” (中國名牌產品) by AQSIQ. In 2006, our Fuguiniao brand was named as one of “The Most Competitive Brands” (最具市場競爭力品牌) by MOFCOM. In each of 2001, 2004 and 2007, our Fuguiniao branded footwear was awarded the “Certificate for Products Exempt from Quality Supervision Inspection” (產品質量免檢證書) by AQSIQ.

We offer a diversified product portfolio, which positions us well in the PRC footwear and apparel markets. The history of our footwear business under the Fuguiniao brand can be traced back to 1991 when the brand was launched by our Founders. We began to produce men's leather footwear ourselves in 1995 and expanded our product line to include women's footwear in 1997. Currently, we offer a wide range of men's and women's footwear products under our Fuguiniao, FGN and AnyWalk brands. Leveraging the well-established recognition of our Fuguiniao branded footwear products, we have successfully diversified into other related product lines under our Fuguiniao brand, including a wide range of business casual menswear, such as suits, pants, jackets and shirts, and leather accessories, such as belts, bags, luggage and wallets.

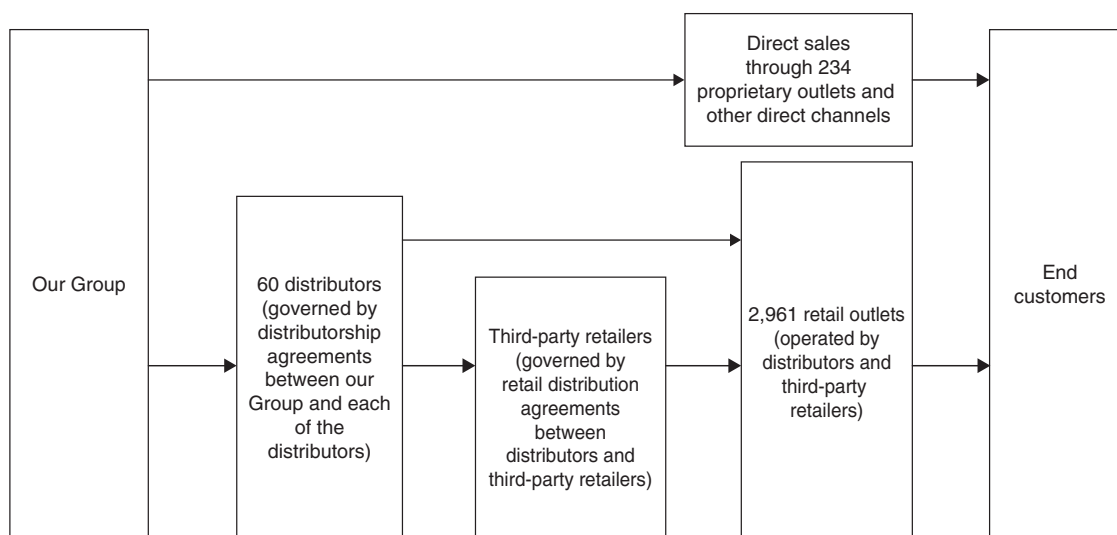
SUMMARY

The table below sets forth our turnover by product type for the periods indicated:

Product Type	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Footwear	1,068,257	99.8	1,373,855	83.2	1,500,469	77.7	691,385	76.6	875,021	80.7
Men's footwear	334,909	31.3	465,704	28.2	509,201	26.4	256,854	28.4	301,794	27.8
Women's footwear	733,348	68.5	908,151	55.0	991,268	51.3	434,531	48.1	573,227	52.9
Menswear	—	—	269,415	16.3	428,195	22.2	208,776	23.1	206,859	19.1
Leather accessories	1,833	0.2	8,290	0.5	3,465	0.1	2,958	0.3	2,526	0.2
Total	1,070,090	100.0	1,651,560	100.0	1,932,129	100.0	903,119	100.0	1,084,406	100.0

SALES AND DISTRIBUTION

We sell our branded products through our network of distributors and certain direct sales channels. We primarily sell our branded products on a wholesale basis to our distributors, who then sell them to end customers through the retail outlets they operate, or which are operated by third-party retailers with whom they contract. As at 30 June 2013, our extensive nationwide retail network consisted of 3,195 retail outlets across 31 provinces, autonomous regions and municipalities in China. Among them, 1,259 retail outlets were owned and operated by our distributors, 1,702 retail outlets were owned and operated by third-party retailers, and the remaining 234 outlets were operated directly by us. We recognise turnover from the sales of goods to our distributors when they take possession of our goods. As at 30 June 2013, we had 60 distributors in China. We have working relationships of ten years or more with 22 of these distributors. The following diagram illustrates the relationship among our Group, our distributors and third-party retailers, retail outlets and end customers as at 30 June 2013:



SUMMARY

We hold periodic national trade fairs for our existing and potential distributors, as well as for certain third-party retailers and retail store managers, all of whom can place orders with us at these events. Distributors generally enter into one-year distributorship agreements with us, which typically require them to comply with uniform standards in respect of, among other things, store location, decoration, displays, marketing activities and daily operations as determined by us from time to time. For details of the distributorship agreements, please see the section headed “Business – Sales and Distribution – Branded Product Sales – Distribution” in this prospectus.

As at 30 June 2013, we operated 234 proprietary retail outlets in the PRC, including department store outlets and stand-alone stores. These proprietary outlets are concentrated in Tier 1 and other major cities that we consider vital to the enhancement of our brand image and the strategic growth of our business as a whole. In addition to proprietary outlets, we also sell our products directly to large PRC enterprises, governmental and other entities by providing customised footwear and menswear products, as well as via third-party online shopping platforms such as *www.tmall.com* and *www.360buy.com*. For further details on our direct sales channels, please see the section headed “Business – Sales and Distribution – Branded Product Sales – Direct Sales” in this prospectus.

We commenced manufacturing women’s footwear products for certain overseas brands on an OEM or ODM basis since 2000. Our clients include “BLONDO”, “COVANI” and “CONNI”. We have expanded our OEM/ODM business by manufacturing both men’s and women’s footwear products for certain overseas customers and men’s footwear products for certain domestic customers. Most of the products we manufactured on an OEM or ODM basis were sold to overseas customers. We typically sell our OEM/ODM products to our OEM/ODM customers directly. We do not have long-term purchase commitments with our OEM/ODM customers, and our sales are made on the basis of individual purchase orders.

The following table sets forth the breakdown of our turnover from the sales of our branded products and OEM/ODM products, and also our gross profit margin by sales channel during the periods indicated:

	Year ended 31 December									Six months ended 30 June								
	2010			2011			2012			2012			2013					
	Turnover		Gross Profit Margin	Turnover		Gross Profit Margin	Turnover		Gross Profit Margin	Turnover		Gross Profit Margin	Turnover		Gross Profit Margin			Gross Profit Margin
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%
Channel																		
Distributors	613,364	57.3	26.3	1,208,986	73.2	31.4	1,392,784	72.1	34.2	694,584	76.9	31.8	770,115	71.0	37.3			
Proprietary outlets	66,635	6.2	39.7	22,166	1.4	49.9	88,020	4.6	41.6	8,901	1.0	48.1	115,369	10.6	45.6			
Large-scale institutional purchases	3,521	0.4	27.0	12,203	0.7	36.7	28,269	1.4	51.6	4,855	0.5	31.2	9,826	0.9	39.5			
Online sales	–	–	–	7,947	0.5	41.6	38,024	2.0	38.9	12,568	1.4	39.0	24,361	2.3	44.9			
OEM/ODM customers	386,570	36.1	24.4	400,258	24.2	28.4	385,032	19.9	28.4	182,211	20.2	28.8	164,735	15.2	38.3			
Total	1,070,090	100.0	26.4	1,651,560	100.0	31.0	1,932,129	100.0	33.8	903,119	100.0	31.4	1,084,406	100.0	38.6			

SUMMARY

PRODUCTION AND SUBCONTRACTING

During the Track Record Period, we manufactured a majority of our footwear products at our three production facilities, all of which are strategically located in Shishi City, Fujian Province, the PRC, in convenient proximity to many of our raw material providers. Although we primarily seek to fulfill footwear orders through production at our own production facilities, we have utilised external subcontractors to produce a portion of our footwear products, as we optimise our cost structure and improve the efficiency of our production facilities. We have also outsourced the production of all of our menswear products and leather accessories to subcontractors because we believe it is more cost efficient to outsource the production of these products than to install new production lines at our existing manufacturing facilities. See “Business – Production” in this prospectus for details.

In light of the urban planning of the local government of Shishi City which re-classified the land use purpose of the Old Land from industrial to commercial purpose, we were required to move our production facilities out of the Old Land, which was owned by our Group and on which the facilities housing approximately half of our current production capacity are located. For the purpose of minimising the uncertainty or risks in relation to the relocation, maintaining the stability of the assets of our Group, and allowing our Directors and senior management to focus on the business operation of our Group by avoiding any possible interruption, we transferred the Old Land (together with all office buildings and plants on it) to a connected person of our Group, Shishi Fuguiniao, for a consideration of RMB216 million in November 2013. Immediately upon completion of transfer of the buildings and plants on the Old Land, our Group entered into lease agreements with Shishi Fuguiniao on 1 November 2013 for the lease of all such buildings and plants.

Shishi Fuguiniao undertook to our Group (i) to build the new plants on the New Land according to the specifications provided by us as soon as possible, (ii) to lease the new plants to our Group at prevailing market rate once such plants have been built on the New Land and put to use and that our Company shall have the right to renew the lease agreement in relation to such new plants at prevailing market rate, (iii) to indemnify any expenses and losses (including any loss of turnover) incurred by our Group in connection with the relocation, which will be in the total amount of approximately RMB1.2 million as estimated by our Group and (iv) that upon expiration of the existing lease agreements between our Company and itself regarding leasing of all buildings and plants on the Old Land, our Company shall have the right to renew such lease agreements under similar terms with Shishi Fuguiniao. As at the Latest Practicable Date, our Company had no intention to acquire the New Land and new plants from Shishi Fuguiniao after the construction completes. Please see “Business – Production – Relocation Plan” in this prospectus for more information.

OUR COMPETITIVE STRENGTHS AND STRATEGIES

Since our establishment, our primary goal has been to make high quality, comfortable footwear and menswear products at competitive prices. We believe our success and potential future growth are attributable to several, competitive strengths, including: (i) leading, long-established PRC business casual footwear brand; (ii) strong product design and development capabilities and superior product quality; (iii) diversified product portfolio; and (iv) extensive nationwide retail network in the PRC with diversified sales channels.

SUMMARY

We intend to capitalise on our existing strong brand recognition, enhance our design capabilities and expand our sales network to achieve sustainable sales growth as well as to maintain and improve our position as one of the leading branded footwear and menswear companies in the PRC by pursuing strategies, including: (i) further strengthen and expand our sales and distribution network; (ii) further promote our brands and enhance our marketing efforts to increase brand awareness; (iii) continue to expand and diversify our product offering; and (iv) continue to strengthen product design and development capabilities.

For further details of our competitive strengths and strategies, please refer to the sections headed “Business – Our Competitive Strengths” and “Business – Our Business Strategies” in this prospectus.

SHAREHOLDER INFORMATION

Controlling Shareholders

Immediately following completion of the Global Offering and taking no account of any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, our Controlling Shareholders, namely, Fuguiniao Holdco, Wo Hing Trading, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, directly or indirectly, will together control approximately 65.85% of the voting rights in the general meeting of our Company. For further details, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

MAJOR AND RELATED CUSTOMERS

As at 30 June 2013, our customers primarily consisted of 60 distributors of our products as well as a limited number of OEM/ODM customers. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, sales attributable to our top five customers were RMB553.1 million, RMB714.4 million, RMB668.1 million and RMB380.7 million and RMB207.1 million, respectively, accounting for 51.7%, 43.3%, 34.6% and 42.2% and 19.1%, of our turnover. Sales to our largest customer accounted for 26.1%, 25.8%, 18.0% and 24.4% and 4.6%, respectively, of our turnover for the same periods. Our largest customer represents purchases of eight individual companies all controlled by Mr. Lam Wo Sze, one of our Directors and Shareholders. Mr. Lam Wo Sze was the beneficial owner of the Related Distributor at various times over the Track Record Period until disposing his interests in the Related Distributor to several Independent Third Parties in October 2012. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, 26.1%, 25.8%, 18.0% and 24.4% and Nil of our turnover was derived from the Related Distributor, respectively. For details of our major customers and the Related Distributor, please see the section headed “Business – Major and Related Customers” in this prospectus.

RAW MATERIALS AND SUPPLIERS

The principal raw material we use in the manufacturing of our footwear and leather accessory products is natural leather from cattle. We also use other raw materials such as fabrics, heels, glue, outsoles, insoles, nails, ornaments and zippers. The principal raw materials used in the production of our menswear products are fabrics.

SUMMARY

We identify potential suppliers from leather exhibitions, publicly-available sources and third-party referrals. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our five largest suppliers accounted for approximately 24.6%, 17.5%, 35.2% and 49.1% and 29.2%, respectively, of our total purchases, and our largest supplier accounted for 9.6%, 4.3%, 14.5% and 28.0% and 9.9%, respectively, of our total purchases. None of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our share capital has any interest in any of these five largest suppliers during the Track Record Period. Please see “Business – Raw Materials and Suppliers” in this prospectus for more information.

A SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected historical financial information for the Track Record Period. The financial information as of and for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 is derived from and should be read in conjunction with our consolidated financial statements, including the accompanying notes, set forth in the accountants’ report included as Appendix I to this prospectus.

Selected Consolidated Statements of Comprehensive Income Data

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	1,070,090	1,651,560	1,932,129	903,119	1,084,406
Cost of sales	(787,145)	(1,139,505)	(1,279,833)	(619,440)	(666,208)
Gross profit	282,945	512,055	652,296	283,679	418,198
Other revenue	27,300	29,274	34,601	14,903	7,160
Other net (loss)/income	(6,783)	(5,936)	1,883	634	1,390
Selling and distribution expenses . .	(62,353)	(95,691)	(127,451)	(45,655)	(73,770)
Administrative and other operating expenses	(39,283)	(63,450)	(87,273)	(33,317)	(60,815)
Profit from operations	201,826	376,252	474,056	220,244	292,163
Finance costs	(40,850)	(50,269)	(42,117)	(26,880)	(10,633)
Profit before taxation	160,976	325,983	431,939	193,364	281,530
Income tax expenses	(42,235)	(72,129)	(108,352)	(48,291)	(72,530)
Profit and total comprehensive income for the year/period	<u>118,741</u>	<u>253,854</u>	<u>323,587</u>	<u>145,073</u>	<u>209,000</u>

SUMMARY

Selected Consolidated Statements of Financial Position Data

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	224,602	236,713	328,626	318,177
Current assets	1,130,373	1,384,006	1,132,944	1,311,347
Current liabilities	(878,176)	(1,000,440)	(660,028)	(818,680)
Net current assets	252,197	383,566	472,916	492,667
Net assets	476,799	620,279	801,542	810,542
Total equity	476,799	620,279	801,542	810,542

Selected Consolidated Cash Flow Statements Data

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(103,623)	265,274	422,048	204,175	115,825
Net cash generated from/(used in) investing activities	467,976	47,816	(56,017)	(68,127)	(164,290)
Net cash (used in)/generated from financing activities	(317,040)	49,851	(477,720)	(205,539)	(84,212)
Net increase/(decrease) in cash and cash equivalents	47,313	362,941	(111,689)	(69,491)	(132,677)
Cash and cash equivalents at the beginning of the year/period	65,676	112,986	474,663	474,663	362,784
Effect of foreign exchange rate changes	(3)	(1,264)	(190)	52	(592)
Cash and cash equivalents at the end of the year/period . . .	<u>112,986</u>	<u>474,663</u>	<u>362,784</u>	<u>405,224</u>	<u>229,515</u>

SUMMARY

Key Financial Ratios

The following table sets forth certain key financial ratios of our Group as at and for the dates indicated.

	As at/for the year ended 31 December			As at/for the six months ended 30 June
	2010	2011	2012	2013
Return on equity ⁽¹⁾	24.9%	40.9%	40.4%	25.8%
Return on total assets ⁽²⁾	8.8%	15.7%	22.1%	12.8%
Current ratio ⁽³⁾	128.7%	138.3%	171.7%	160.2%
Quick ratio ⁽⁴⁾	100.9%	120.6%	135.5%	134.0%
Gearing ratio ⁽⁵⁾	122.9%	125.9%	44.8%	56.6%
Debt to equity ratio ⁽⁶⁾	99.2%	49.3%	N/A	28.3%
Interest coverage ⁽⁷⁾	4.9	7.5	11.3	27.5

Notes:

- (1) Return on equity ratio is calculated by dividing profit and total comprehensive income for the year/period by total equity at the end of the year/period and multiplying by 100%.
- (2) Return on total assets ratio is calculated by dividing profit and total comprehensive income for the year/period by total assets at the end of the year/period and multiplying by 100%.
- (3) Current ratio is calculated by dividing total current assets at the end of the year/period by total current liabilities at the end of the year/period and multiplying by 100%.
- (4) Quick ratio is calculated by dividing the difference between total current assets and inventories at the end of the year/period by total current liabilities at the end of the year/period and multiplying by 100%.
- (5) Gearing ratio is calculated by dividing the total bank loans and other borrowings at the end of the year/period by total equity at the end of the year/period and multiplying by 100%.
- (6) Debt to equity ratio is calculated by dividing total bank loans and other borrowings net of cash and cash equivalents at the end of the year/period by total equity at the end of the year/period and multiplying by 100%.
- (7) Interest coverage is calculated by dividing the profit before finance costs and income tax expenses for the year/period by total finance costs for the year/period.

RECENT DEVELOPMENT

As far as we are aware, there have not been any changes in general economic or market conditions globally or in the industry in which we operate that materially and adversely affected our business operations and financial condition since 30 June 2013 and up to the date of this prospectus. Based on our unaudited management accounts for the three months ended 30 September 2013, we recorded turnover of RMB473.4 million, which was primarily a result of increases in both sales volume, which was a result of increased sales from our proprietary retail outlets, and unit price of our products from the same period in 2012. Our gross profit for the same period was RMB187.5 million, representing a gross profit margin of 39.6%, which primarily reflected an increase in the percentage of turnover generated by our proprietary retail outlets, which have higher gross profit margin and improved production efficiency and allowed us to achieve a lower manufacturing cost. As at the Latest Practicable Date, there has been no material adverse change to our Group's operations and financial position.

SUMMARY

PROFIT FORECAST

For the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2013, our unaudited pro forma forecast earnings per Share for the year ending 31 December 2013 have been prepared on the basis of the notes set out below. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial results for the year ending 31 December 2013 or for any future period.

Forecast consolidated profit attributable to equity shareholders of our Company for the year ending 31 December 2013⁽¹⁾not less than RMB402.8 million
(approximately HK\$509.0 million)

Unaudited pro forma forecast earnings per Share for the year ending 31 December 2013⁽²⁾⁽³⁾not less than RMB0.76
(approximately HK\$0.95)

- (1) The bases and assumptions on which the above profit forecast has been prepared are summarised in Part A of Appendix III to this prospectus. The Directors have prepared the forecast consolidated profit attributable to equity shareholders of our Company for the year ending 31 December 2013 based on the audited consolidated results for the six months ended 30 June 2013, the unaudited consolidated results based on management accounts of our Group for the three months ended 30 September 2013 and a forecast of the consolidated results of our Group for the remaining three months ending 31 December 2013.
- (2) The calculation of unaudited pro forma forecast earnings per Share is based on the forecast consolidated results for the year ending 31 December 2013 attributable to equity shareholders of our Company, assuming that a total of 533,340,000 Shares had been in issue during the entire year. The calculation of the forecast earnings per Share does not take into account any Shares which may be issued upon the exercise of the Over-allotment Options.
- (3) The forecast consolidated profit attributable to equity shareholders of our Company and the unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.7914 the exchange rate prevailing on 3 December 2013 set by PBOC for foreign exchange transactions.

Please see Appendix III to this prospectus for more information.

OFFERING STATISTICS

	Based on an Offer Price of HK\$7.17 per Share	Based on an Offer Price of HK\$10.04 per Share
Market capitalisation of our Shares ⁽¹⁾	HK\$3,824.0 million	HK\$5,354.7 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽²⁾	HK\$3.57	HK\$4.26

Notes:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalisation is based on 533,340,000 Shares expected to be issued and outstanding following the completion of the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II to this prospectus and based on 533,340,000 Shares expected to be issued and outstanding following the completion of the Global Offering.

SUMMARY

DIVIDEND POLICY

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits, as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits may not be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. They past dividend distribution record may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

In 2010, 2011 and 2012, we declared dividends in the amount of RMB130.4 million, RMB130.7 million and RMB152.4 million, respectively. On 28 June 2013, we declared dividends in the amount of RMB200.0 million, of which, RMB17.2 million have not yet been paid as at the Latest Practicable Date. All declared and unpaid dividends will be settled prior to the Listing Date through our internal funds. Subject to the factors described above, our Board of Directors intends to recommend at the relevant shareholders meetings an annual dividend of no less than 20% of our profit for the year available for distribution to the Shareholders in the foreseeable future.

Please see “Financial Information – Dividend Policy” in this prospectus for more information.

LISTING EXPENSES

We incurred total listing expenses of approximately RMB9.4 million in relation to the preparation of the Global Offering and Listing during the Track Record Period, and expect to incur an additional RMB57.1 million expenses until the completion of the Global Offering and Listing. Approximately 59% of the listing expenses, or approximately RMB39.2 million in relation to the issue of the Shares are expected to be capitalised. Our Directors have emphasised that such cost is a current estimate for reference only. The final amount to be recognised to the consolidated statement of comprehensive income of our Group or to be capitalised is subject to adjustment based on the actual amount of expenses incurred/to be incurred by our Group upon the completion of the Global Offering and Listing. We do not believe such listing expenses will have a material impact on our business and results of operations for the year ending 31 December 2013.

SUMMARY

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK\$1,064.0 million, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$8.61 per H Share, being the mid-point of the proposed Offer Price range of HK\$7.17 to HK\$10.04 per H Share. Before we obtain necessary approvals from the relevant PRC regulatory authorities, we are not permitted to convert the net proceeds from the Global Offering into Renminbi. The net proceeds from the Global Offering received by us in Hong Kong dollars will be accounted for in our financial statements in Renminbi at the exchange rate published by the PBOC in effect at the time the net proceeds are received. We intend to use such net proceeds as follows:

- Approximately HK\$638.4 million, or 60%, towards maintaining and expansion of our existing sales channels, including:
 - HK\$372.4 million, or 35%, towards opening new proprietary retail outlets in China (either by purchasing them outright or leasing the premises), including flagship stores, footwear image stores, menswear image stores, integrated stores and standard retail outlets, primarily consisting of the purchase price for the buildings where certain such retail outlets are located or lease payments for the premises of the remaining retail outlets, as the case may be, and the related staff costs and selling and distribution expenses;
 - HK\$106.4 million, or 10%, towards assisting our distributors in opening new retail outlets in China by (i) purchasing and installing display racks, lighting fixtures and marketing materials (including posters and billboards) for our distributors, the cost of which will continue to be recorded on our consolidated statement of comprehensive income as a selling and distribution promotion expense, (ii) reviewing operating plans for the retail outlets and providing on-site operational instructions and support, (iii) renovating/decorating new retail outlets and (iv) providing training to their management and sales employees; and
 - HK\$159.6 million, or 15%, towards maintaining and promoting our existing sales channel by providing financial assistance, including marketing activities and promotional events, to the retail outlets.
- Approximately HK\$266.0 million, or 25%, towards overseas expansion, including establishment and development of overseas sales channels, global raw materials procurement, potential strategic acquisition and international market promotion and advertising;
- Approximately HK\$106.4 million, or 10%, towards purchase of relevant electronic equipment and software to improve and enhance our information systems, including the implementation of various applications, including, among others, ERP system, production management system and DRP system; and
- The remaining HK\$53.2 million, or 5%, for working capital and other general corporate purposes.

For more details, please see the section headed “Future Plans and Use of Proceeds” in this Prospectus.

SUMMARY

RISK FACTORS

Our Directors believe that there are certain risks involved in our operations. Many of these risks are beyond our control. A detailed discussion of the risk factors that we believe are particularly relevant to us is set out in the section headed “Risk Factors” in this prospectus. Some of the major risks we face include:

- Failure to successfully promote our brand or maintain our goodwill may materially and adversely affect our business and results of operations;
- Our success depends on the success of our distributors;
- We rely on a small number of distributors for the sale of our products and our failure to renew distributorship agreements with our major distributors or any breach of such distributorship agreements by them may materially and adversely affect our results of operation;
- Our ability to monitor not only the performance of our distributors and third-party retailers but also the quality of service provided by sales staff at retail outlets is limited;
- Failure to anticipate and respond in a timely manner to changes in consumer preferences and fashion trends in China;
- Our multi-brand strategy and any of our future plans to launch new brands may not be successful;
- Change of our main production site may adversely affect our business; and
- We may not be able to maintain our growth or manage our expansion effectively.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any one of them, relating to the Hong Kong Public Offering
“AQSIQ”	the State Administration for Quality Supervision and Inspection and Quarantine
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 12 May 2013 and as amended from time to time, a summary of which is set out in Appendix VI to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bairui Leading”	Shanghai Bairui Leading Chuangfu Equity Investments Center (Limited Partnership)* (上海百瑞力鼎創富股權投資中心(有限合夥)), a limited partnership established under the laws of the PRC on 12 January 2011 and one of our Shareholders. For details, please refer to the paragraph headed “Strategic Investments” under the section headed “History and Corporate Structure” in this prospectus
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate
“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

DEFINITIONS

“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
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Central Southern PRC”	includes Guangdong, Guangxi, Hunan and Hubei
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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”	Fuguiniao Co., Ltd. (富貴鳥股份有限公司), a joint stock limited liability company in the PRC converted from its predecessors, Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) (previously known as Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司)), a limited liability Company in the PRC, on 29 June 2012 and, except the context otherwise requires, its predecessor
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the company, namely Fuguiniao Holdco, Wo Hing Trading, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 28 November 2013 entered into by our Controlling Shareholders as indemnifiers with and in favor of our Company (for itself and as trustee for its present subsidiaries) in respect of, among other things, certain indemnities regarding taxation and employee benefit claims (as referred to therein)
“Deed of Non-competition”	a deed of non-competition undertaking (in Chinese) dated 28 November 2013 entered into by the Controlling Shareholders with and in favor of our Company
“Director(s)”	the directors of our Company as at the date of this prospectus
“Distribution Region”	defined geographical area for each distributor
“Domestic Shares”	ordinary Shares of our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up by the Strategic Investors and Yuncai Investments in RMB
“Eastern PRC”	includes Shanghai, Jiangsu, Zhejiang, Anhui, Fujian and Jiangxi
“Exchange Act”	The U.S. Securities Exchange Act of 1934, as amended
“Fook Lam Leather”	Fook Lam Leather Trading Co (福林皮件貿易公司), an individual proprietorship incorporated on 1 June 1994 under the laws of Hong Kong and is wholly-owned by Mr. Wang Jianshe (王建設), a cousin of each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, Directors of our Company
“Founders”	Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho
“Frost & Sullivan Report”	a report prepared by Frost & Sullivan containing an analysis of the PRC footwear and menswear industries and other relevant economic and statistical data
“Fuguiniao Holdco”	Fuguiniao Group Limited (富貴鳥集團有限公司), a limited liability company incorporated on 9 April 2001 under the laws of Hong Kong and owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% By Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. It is one of our Controlling Shareholders

DEFINITIONS

“Fuguiniao Sales”	Fuguiniao Sales Co., Ltd.* (富貴鳥銷售有限公司), a limited liability company established under the laws of the PRC on 8 March 2013 and a direct wholly-owned subsidiary of our Company
“Fujian Fuguiniao”	Fuguiniao (Fujian) Shoes Clothes Co., Ltd. (富貴鳥(福建)鞋服有限公司), a limited liability company established under the laws of the PRC on 31 January 2007 and a direct wholly-owned subsidiary of our Company
“Fulin Footwear”	Fulin Shoes Co., Ltd. Shishi Fujian (福建石獅市福林鞋業有限公司), a limited liability established under the laws of the PRC on 2 August 1991 and was merged by absorption by our Company on 31 July 2010. It was mainly engaged in manufacture and sale of footwear and apparel products
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by WHITE Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “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 our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“H Shares”	overseas listed foreign shares of our Company, with a nominal value of RMB1.00 each, which are to be listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKAS(s)”	Hong Kong Accounting Standard(s)
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Anywalk”	Hong Kong Anywalk International Fashions Limited (香港安尼沃克國際服飾有限公司), a limited liability company incorporated under the laws of Hong Kong on 29 July 2010 and an indirect wholly-owned subsidiary of our Company
“Hong Kong Fuguiniao”	Fuguiniao (HongKong) Limited (富貴鳥(香港)有限公司), a limited liability company incorporated under the laws of Hong Kong on 12 January 2012 and a direct wholly-owned subsidiary of our Company
“Hong Kong Public Offering”	the offer to the public in Hong Kong for subscription of the Hong Kong Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms
“Hong Kong Offer Shares”	the 13,334,400 H Shares (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) being offered by us for subscription at the Offer Price under the Hong Kong Public Offer
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters in respect of the Hong Kong Public Offer named in the paragraph headed “Hong Kong Underwriters” in the section headed “Underwriting” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 9 December 2013 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Controlling Shareholders, the Joint Bookrunners and the Hong Kong Underwriters
“IFRS”	International Financial Reporting Standard(s)
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, Supervisors, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates

DEFINITIONS

“International Offer Shares”	the 120,005,600 H Shares initially being offered for subscription under the International Offering (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Offering”	the offering of the International Offer Shares at the Offer Price outside the United States in accordance with Regulation S, and in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration requirement of the US Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of underwriters led by the Sole Global Coordinator and the Joint Bookrunners, who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the conditional placing and purchase agreement to be entered into between, among others, our Company, the Controlling Shareholders, the Joint Bookrunners and the International Underwriters in respect of the International Offering
“Joint Bookrunners” or “Joint Lead Managers”	CITIC Securities Corporate Finance (HK) Limited and Macquarie Capital Securities Limited
“Junding Investments”	Suzhou Junding Equity Investments Partnership Enterprise (Limited Partnership)* (蘇州君鼎股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 13 April 2012 and one of our Shareholders. For details, please refer to the paragraph headed “Strategic Investments” under the section headed “History and Corporate Structure” in this prospectus
“Latest Practicable Date”	1 December 2013, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
“Leading Fortune”	Leading Fortune Development Venture Investment Center (Limited Partnership)* (上海力鼎財富成長創業投資中心(有限合夥)), a limited partnership established under the laws of the PRC on 21 June 2011 and one of our Shareholders. For details, please refer to the paragraph headed “Strategic Investments” under the section headed “History and Corporate Structure” in this prospectus

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“Leading Investments”	Shanghai Leading Investments Management Co., Ltd.* (上海力鼎投資管理有限公司), a limited liability company incorporated under the laws of the PRC on 18 July 2007 and one of our Shareholders. For details, please refer to the paragraph headed “Strategic Investments” under the section headed “History and Corporate Structure” in this prospectus
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 20 December 2013, on which dealings in the H Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, which were promulgated by the PRC Securities Commission, the predecessor of the CSRC, and the State Restructuring Commission on 27 August 1994, as amended and supplemented from time to time
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOEP”	the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“National Bureau of Statistics of China” or “NBSC”	the National Bureau of Statistics of China (中華人民共和國國家統計局)
“National People’s Congress” or “NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

DEFINITIONS

“NAV”	net asset value
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New Land”	the land to be provided by Shishi municipal government to Shishi Fuguiniao, to which Shishi Fuguiniao can relocate the production facilities on the Old Land
“Northeastern PRC”	includes Heilongjiang, Liaoning and Jilin
“Northern PRC”	includes Beijing, Tianjin, Shandong, Henan, Shanxi, Hebei and Inner Mongolia
“Northwestern PRC”	includes Shaanxi, Gansu, Ningxia, Xinjiang and Qinghai
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Hong Kong Offer Shares are to be subscribed under the Hong Kong Public Offering and the International Offer Shares are to be offered and sold under the International Offering, to be determined in the manner further described in the section headed “Structure of the Global Offering” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Offer Shares issued and sold pursuant to the exercise of the Over-allotment Option
“Old Land”	the two parcels of land located at Qianyuan Village, Baogai Town, Shishi City, Fujian Province, the PRC and Baqi Road, Shishi City, Fujian Province, the PRC, respectively, which were previously owned by our Company and were transferred to Shishi Fuguiniao in November 2013
“Over-allotment Option”	the option granted by our Group to the Sole Global Coordinator, exercisable by the Sole Global Coordinator on behalf of the International Underwriters pursuant to which our Company may be required to allot and issue up to an aggregate of 20,000,800 additional Offer Shares, representing approximately 15% of the initial size of the Global Offering, to cover over-allocations in the International Offering as described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of PRC
“PBOC Rate(s)”	the exchange rate for foreign exchange transactions set daily by PBOC based on the China inter-bank foreign exchange market rate of the previous day and with reference to current exchange rates on the world financial markets
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC CIT Law”	the PRC Corporate Income Tax Law (中華人民共和國企業所得稅法), promulgated on 16 March 2007 by the National People’s Congress and effective on 1 January 2008
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005, as amended, supplemented or otherwise modified from time to time
“PRC Court”	means any court or arbitral tribunal of the PRC
“PRC government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the Standing Committee of the Ninth National People’s Congress on 29 December 1998 and effective on 1 July 1999, as amended, supplemented or otherwise modified from time to time
“Price Determination Agreement”	the agreement to be entered into between us and the Joint Bookrunners on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price is fixed for the purpose of the Global Offering

DEFINITIONS

“Promoter(s)”	the promoters of the Company, namely Fuguiniao Holdco, Wo Hing Trading, Junding Investments, Yuncai Investments, Leading Fortune, Leading Investments, Bairui Leading, Shiji Tianfu, Shiji Caifu, Tianrui Leading and Tiangui Leading
“QIBs” or “Qualified Institutional Buyers”	qualified institutional buyers as defined in Rule 144A
“Quanzhou Fuguiniao”	Quanzhou Fuguiniao Investment Co., Ltd.* (泉州市富貴鳥投資有限責任公司), a limited liability company established under the laws of the PRC on 25 October 2010. It is wholly-owned by Shishi Fuguiniao and is mainly engaged in real investment, sale of electronic products and management of real properties
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the paragraph headed “Reorganisation” under the section headed “History and Corporate Structure” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Shiji Caifu”	Shiji Caifu Investments Co., Ltd.* (世紀財富投資有限公司), a limited liability company established under the laws of the PRC on 2 April 2003 and one of our Shareholders. For details, please refer to the paragraph headed “Strategic Investments” under the section headed “History and Corporate Structure” in this prospectus
“Shiji Tianfu”	Beijing Shiji Tianfu Venture Investment Center (Limited Partnership)* (北京世紀天富創業投資中心(有限合夥)), a limited partnership established under the laws of the PRC on 19 May 2010 and one of our Shareholders. For details, please refer to the paragraph headed “Strategic Investments” under the section headed “History and Corporate Structure” in this prospectus
“Shishi Fuguiniao”	Fujian Shishi Fuguiniao Group Co., Ltd.* (福建石獅市富貴鳥集團有限公司), a limited liability company established under the laws of the PRC on 9 February 1993. It is owned as to 25% by each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, and is mainly engaged in the manufacturing of electronic products, hardware, toys, furniture, hand tools and clocks and watches, and the provision of property management service
“SIPO”	the State Intellectual Property Office of the PRC
“Sole Global Coordinator” or “Sole Sponsor”	CITIC Securities Corporate Finance (HK) Limited
“Southwestern PRC”	includes Yunnan, Guizhou, Chongqing, Sichuan and Tibet
“Special Regulations”	the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies issued by the State Council on 4 August 1994, as amended, supplemented or otherwise modified from time to time
“Stabilising Manager”	CITIC Securities Corporate Finance (HK) Limited
“State Administration for Industry and Commerce” or “SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

DEFINITIONS

“State Administration of Foreign Exchange” or “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, including local branches, when applicable
“State Administration of Taxation” or “SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Fuguiniao Holdco and the Stabilising Manager (or its agents) on or around the Price Determination Date
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Investors”	Junding Investments, Leading Fortune, Leading Investments, Bairui Leading, Shiji Tianfu, Shiji Caifu, Tianrui Leading and Tiangui Leading
“subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	supervisors of our Company
“Tiangui Leading”	Suqian Zhongshan Tiangui Leading Venture Investment Center (Limited Partnership)* (宿遷鐘山天瑰力鼎創業投資中心(有限合夥)), a limited partnership established under the laws of the PRC on 11 April 2012 and one of our Shareholders. For details, please refer to the paragraph headed “Strategic Investments” under the section headed “History and Corporate Structure” in this prospectus
“Tianrui Leading”	Suqian Zhongshan Tianrui Leading Venture Investment Center (Limited Partnership)* (宿遷鐘山天瑞力鼎創業投資中心(有限合夥)), a limited partnership established under the laws of the PRC on 31 March 2012 and one of our Shareholders. For details, please refer to the paragraph headed “Strategic Investments” under the section headed “History and Corporate Structure” in this prospectus

DEFINITIONS

“Tier 1 cities”	Beijing, Shanghai, Guangzhou and Shenzhen
“Tier 2 cities”	the capitals of provinces in the PRC (excluding Guangzhou), municipalities under the direct administration of the PRC central government (excluding Shanghai and Beijing), and the capitals of the autonomous regions in the PRC
“Tier 3 cities”	prefecture-level cities in the PRC, excluding any Tier 1 and Tier 2 cities
“Tier 4 cities”	county-level and other township-level cities in the PRC
“Track Record Period”	the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Unlisted Foreign-invested Shares”	unlisted ordinary shares of our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up by foreign investors in RMB
“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time
“WFOE”	wholly foreign-owned enterprise within the meaning prescribed under the PRC laws
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name through the designated website of White Form eIPO – www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Wo Hing Trading”	Wo Hing (China) Trading Limited (和興(中國)貿易有限公司), a limited liability company incorporated under the laws of Hong Kong on 16 November 2010 and wholly-owned by Mr. Lam Wo Ping. It is one of our Controlling Shareholders
“Yuncai Investments”	Xiamen City Yuncai Equity Investments Partnership (Limited)* (廈門市韞財股權投資合夥企業(有限合夥)), a partnership set up under the laws of the PRC on 20 March 2012 and one of our Shareholders. It is owned as to 99% by Ms. Han Ying and 1% by Mr. Tian Guohua. Ms. Han Ying is an executive Director of our Company and Mr. Tian Guohua is her husband
“%”	per cent

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.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.7914 = HK\$1.00 or RMB6.0922 = US\$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

“DRP”	Distribution Resource Planning, a method used in business administration for planning orders within a supply chain. DRP enables the user to set certain inventory control parameters (like a safety stock) and calculate the time-phased inventory requirements
“ERP”	Enterprise Resource Planning systems, which integrate internal and external management information across an entire organisation, embracing finance/accounting, manufacturing, sales and service, customer relationship management, etc. ERP systems automate this activity with an integrated software application
“ODM”	original design manufacturer, a company which designs and manufactures a product which is specified and eventually branded by another company for sale
“OEM”	original equipment manufacturer, a company manufactures products or components that are purchased by another company and retailed under that purchasing company’s brand name
“SKU”	stock-keeping unit, with products that are exactly the same except for their different colors deemed as different stock-keeping units, and products that are exactly the same except for their different sizes deemed as one stock keeping unit

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE

According to Rules 8.12 and 19A.15 of the Listing Rules, the Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. At present, there will be no executive Directors ordinarily resident in Hong Kong after the Listing. The senior management team of the Group is and will continue to be based in the PRC to attend to their respective duties. Further, as each of the executive Directors has a vital role in the Group's operations, it is crucial for them to remain in close proximity to the Group's central management located in the PRC. Accordingly, we do not, and for the foreseeable future, will not, have a sufficient management presence in Hong Kong, for the purposes of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

For the reasons set out above, the Directors consider that it would be practically difficult, unduly burdensome and not commercially feasible for us to appoint two Hong Kong residents as executive Directors or to relocate any of the existing executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements set out in Rules 8.12 and 19A.15 of the Listing Rules. We have made arrangements to maintain effective communication between the Stock Exchange and us as follows:

- (i) both of the Company's authorised representatives, Mr. Lam Wo Ping, an executive Director of the Company, and Mr. Liu Guodong, the company secretary of the Company, will act as our principal channel of communication with the Stock Exchange. Each of Mr. Lam Wo Ping and Mr. Liu Guodong has confirmed that he possesses valid travel documents and can readily travel to Hong Kong to meet with the Stock Exchange within a reasonable time upon request of the Stock Exchange, if required. They will be readily contactable by telephone, facsimile and email, and are authorised to communicate on behalf of the Company with the Stock Exchange;
- (ii) both of the authorised representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To enhance communication between the Stock Exchange, the authorised representatives and the Directors, the Company has implemented a policy whereby (a) each Director will provide his or her office phone numbers, mobile phone numbers, residential phone numbers, office facsimile numbers and email addresses to the authorised representatives; (b) each Director will provide valid phone numbers or means of communication to the authorised representatives when he or she travels; and (c) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and fax numbers to the Stock Exchange;

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

- (iii) The Company, in accordance with Rule 3A.19 of the Listing Rules, has appointed Industrial Securities (HK) Capital Limited as our compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The Company will ensure that Industrial Securities (HK) Capital Limited shall have access at all times to its authorised representatives, Directors and members of the senior management. The Company will also procure that such persons provide promptly to Industrial Securities (HK) Capital Limited such information and assistance as it may need or may reasonably request in connection with the performance of the compliance adviser's duties as set forth in Chapter 3A and Chapter 19A of the Listing Rules. Industrial Securities (HK) Capital Limited will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing date at least until the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results and its annual report for the first full financial year following the Listing;
- (iv) Meetings between the Stock Exchange and the Directors could be arranged through the authorised representatives or the Company's compliance adviser, or directly with the Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly in respect of any change in the Company's authorised representatives and compliance adviser; and
- (v) Each Director who does not ordinarily reside in Hong Kong has confirmed that either he or she possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period.

In these circumstances, the Company and its Directors do not envisage that there should be any difficulty for the Stock Exchange to contact (if required) any of the executive Directors and believe that the arrangements set out above are sufficient to maintain effective communication between the Company and the Stock Exchange. The Directors will ensure that disclosure of information and contact with the Stock Exchange will be made on a timely basis.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into, and expects to continue after the Listing, certain transactions which will constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement as set out in Chapter 14A of the Listing Rules in respect of such non-exempt continuing connected transactions.

The details of such waiver are set out in the section headed "Connected Transactions" of this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section headed “Financial Information” in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Our Directors confirm that these forward-looking statements are made after due and careful consideration.

Subject to the requirements of the Listing Rules, we do not intend publicly to 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 we expect, 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.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. You should pay particular attention to the fact that we are a PRC company, that substantially all of our business is conducted in the PRC and that we are governed by a legal and regulatory environment which in some respects may differ from those in other countries. There are risks associated with investing in our H Shares not typical of investment in the capital stock of companies incorporated and/or engaging business in Hong Kong or the United States. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our H Shares could decline owing to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, please see “Regulations” and “Appendix V – Summary of Principal Legal and Regulatory Provisions” to this prospectus. Additional risks and uncertainties not presently known to us or which we currently deem immaterial may arise or become material in the future and may have a material adverse effect on us.

RISKS RELATING TO OUR BUSINESS

Failure to successfully promote our brand or maintain our goodwill may materially and adversely affect our business and results of operations

Brand image is a key factor in a consumer's decision to purchase footwear and menswear products. We market our products under three brands, Fuguiniao, FGN and AnyWalk. We generate the majority of our turnover from the sales of our Fuguiniao brand of footwear and menswear products, which amounted to approximately RMB681.5 million, RMB1,230.2 million, RMB1,394.8 million and RMB694.9 million and RMB830.2 million, representing approximately 63.7%, 74.5%, 72.2% and 76.9% and 76.5%, of our total turnover for the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013, respectively. Our financial success heavily depends, and will continue to depend, on our Fuguiniao brand image. Moving forward, if we are unsuccessful in continuing to promote the image of our Fuguiniao brand or our other ancillary brands, or fail to maintain the goodwill of such brands among our targeted consumer groups, market perception and consumer acceptance of such brands may be eroded, in which case our business, financial condition and results of operations may be materially and adversely affected.

Our success depends on the success of our distributors

We primarily sell our products in China through our distributors, who in turn sell our products to consumers through retail outlets, which they operate, or which are operated by third-party retailers. As at 30 June 2013, we sold our products to our end customers through 3,195 retail outlets across 31 provinces, autonomous regions and municipalities in the PRC, 1,259 of which were owned and operated by our distributors and 1,702 were owned and operated by third-party retailers. For the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013, sales to our distributors accounted for approximately 57.3%, 73.2%, 72.1% and 76.9% and 71.0% of our turnover, respectively. For the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 and 2013, sales to our top five distributors accounted for 35.8%, 37.1%, 32.8% and 40.8% and 17.9%, respectively, of our turnover. Sales to our largest distributor accounted for 26.1%, 25.8% and 18.0% and 24.4% and 4.6%, of our turnover for the same time periods,

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respectively. Our largest distributor during the Track Record Period, which consisted of eight companies, was owned by Mr. Lam Wo Sze, one of our Directors, who transferred his interests in said distributor to several Independent Third Parties in 2012. See “Business – Major and Related Customers” for further details.

Our distributors have expanded their distribution networks by authorising third-party retailers to open and operate retail outlets within each distributor’s Distribution Region. The number of retail outlets operated by our distributors and third-party retailers increased from 1,815 as at 31 December 2010 to 2,961 as at 30 June 2013. However, there is no assurance that such a growth rate can be maintained. If our distributors do not continue to open new retail outlets, either by themselves or through third-party retailers, or are otherwise unsuccessful in selling our products, our results of operations may be materially and adversely affected.

A majority of the retail outlets operated by our distributors and third-party retailers are located in prime locations in major cities or in large department stores. The location and ease of access to these retail outlets will determine the prominence of our display and the customer traffic flow to our merchandise. In addition, much of the goodwill we enjoy with our consumers stems from our association with major department stores within which our distributors and third-party retailers maintain their outlets. With the recent increase in rent of commercial properties in major cities in China, our distributors and third-party retailers may not be able to secure and maintain ideal locations for their retail outlets or the retail space in the relevant department stores on commercially reasonable terms, if at all. In such event, our results of operations may be materially and adversely affected.

Furthermore, sales levels may fluctuate for each distributor and third-party retailer at each retail outlet. The number of retail outlets through which our distributors and third-party retailers can distribute our products may also vary from time to time. This may increase the level of volatility in our results of operations and create difficulties for us in terms of production planning.

We rely on a small number of distributors for the sale of our products and our failure to renew distributorship agreements with our major distributors or any breach of such distributorship agreements by them may materially and adversely affect our results of operation

As at 30 June 2013, we had 60 distributors in the PRC, each of whom is responsible for establishing a sales network in their Distribution Region. We rely on these existing and potential distributors to assist us in exploring new markets to sell our branded products and in identifying potential third-party retailers and locations for new retail outlets. We believe that this distributorship model allows us to achieve market penetration and extend our geographical coverage with shorter ramp-up time and less capital outlay. We have working relationships of ten years or more with 22 of our distributors, with the longest relationship extending for 22 years. However, there is no assurance that we will always be able to maintain our relationships with these distributors or that we will be successful in attracting new quality distributors, if necessary, to maintain or expand our branded product business.

We generally enter into agreements with our distributors with a term of one-year, which can be renewed annually at the discretion of the parties. There is no assurance that we will be able to renew our distributorship agreements at all or on terms that are favorable to us, or that the distributors will always fulfill their annual purchase commitments as set out in the distributorship agreement in time or at all. In addition, there is no assurance that our

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distributors will not breach their distributorship agreements or will comply with their obligations thereunder, including with respect to our retail policies. If the distributorship agreements cannot be renewed or if our distributors breach any of the terms thereunder, we may not be able to continue to expand our branded product business and our results of operations may be materially and adversely affected.

Our ability to monitor not only the performance of our distributors and third-party retailers but also the quality of service provided by sales staff at retail outlets is limited

We largely rely on our distributors to adhere to all of our operational and management policies and all sales staff working at the retail outlets to provide appropriate service. We have a set of policy documents on sales management and marketing promotion. However, it is difficult for us to monitor the day-to-day operations of our distributors to ensure compliance with our policies. No assurance can be given that our distributors will comply with our requirements, or that we will be able to identify and correct all cases of non-compliance by our distributors in a timely manner, if at all. Failure by our distributors to adhere to our policies may have an adverse impact on our brands' images and may adversely affect our results of operations.

In addition, upon our approval, our distributors are permitted to enter into retail distribution agreements with third-party retailers. However, we have no direct contractual relationship with these third-party retailers. Third-party retailers are required to perform in accordance with the terms of the distributorship agreements entered into between us and our distributors and to obey our retail outlets' management rules. Additionally, our distributors are required to conduct regular on-site inspections at retail outlets operated by third-party retailers. However, we cannot assure you that the third-party retailers will comply with all of our requirements, or that we or our distributors will be able to identify and correct all cases of non-compliance by third-party retailers in a timely manner or at all.

Furthermore, as we do not have a direct contractual relationship with any of the individual sales staff of the retail outlets, we have limited control over them. As such, we have no direct mechanism to control the way our products are marketed or sold at various retail outlets. No assurance can be given that appropriate sales methods or means which are consistent with the respective images of our brands will be employed or that our system for monitoring the performance of the sales staffs of the retail outlets will be sufficient to enable us to identify all incidents of non-compliance with our policies or inappropriate service. Poor or inappropriate service may result in damage to the respective images of our brands and to our reputation.

We may control the risk of non-compliance and poor or inappropriate service by deciding not to renew or by terminating our distributorship agreements with the relevant distributor upon discovery of a problem. However, we cannot assure you that we will always be able to identify problems and take remedial actions in a timely manner, if at all. In the event that we fail to do so, the image of our brands and our reputation may suffer, which may in turn have an adverse effect on our business, results of operations and financial condition.

Failure to anticipate and respond in a timely manner to changes in consumer preferences and fashion trends in China

We operate in an industry that is subject to rapid changes in consumer tastes and preferences and fashion trends that are difficult to predict. The success and popularity of our products depends on our ability to anticipate, identify and respond to changes in

RISK FACTORS

consumer tastes and preferences and to design marketable and appealing products accordingly. As a result, design and development efforts are crucial to our success and competitiveness. We rely on our vertically integrated business model to identify and anticipate market changes and our strong design and development capability to rapidly adjust our product offering. If we misjudge fashion trends and consumer preferences, or fail to anticipate or respond to higher consumer demand for design and quality, our sales and operating profits may decrease. Similarly, if we fail to appreciate or underestimate the extent of any anticipated increase in consumer demand for our products, we may experience a loss of sales opportunities, which may also have an adverse impact on our goodwill, corporate image and profitability.

Our multi-brand strategy and any of our future plans to launch new brands may not be successful

We offer a wide range of footwear, business casual menswear and leather accessories through our three brands, Fuguiniao, FGN and AnyWalk. Our comprehensive brand portfolio aims to target various consumer segments in the PRC by offering products with a wide range of retail prices generally ranging from RMB50 to RMB2,800. Within each target consumer group, we also offer a diverse range of footwear styles for many occasions, including formal, business and casual occasions. As we believe that our multi-brand strategy facilitates a wide and diverse source of turnover from different consumer groups, we plan to expand our brand portfolio so as to further broaden our retail base and increase our turnover sources. Maintenance of our existing brands and the launch and development of each new brand involves considerable time and resource commitments. Lack of resources or management focus may damage our brand image and thus have adverse impact on our profitability and results of operation.

A period-to-period comparison of our Track Record Period may not be meaningful and our historical financial performance should not be treated as indicative of our future financial performance

Beginning in 2004, we licensed the right to sell business casual menswear products under the Fuguiniao brand to an Independent Third Party. In May 2011, we started to sell Fuguiniao branded menswear products ourselves and recorded turnover generated from such sales. For more details on this expansion of our business operations, please see the section headed “History and Corporate Structure” in this prospectus. Primarily as a result of this new business, our turnover grew by 54.3% for the year ended 31 December 2011 compared to the year ended 31 December 2010, 17.0% for the year ended 31 December 2012 compared to the year ended 31 December 2011 and 20.1% for the six months ended 30 June 2013 compared to the six months ended 30 June 2012. As our turnover growth in 2011, 2012 and the first half of 2013 was largely attributable to our commencement of sales of our business casual menswear products under the Fuguiniao brand by ourselves, a period-to-period comparison of our Track Record Period may not be meaningful.

In addition, due to the limited operating history of our footwear business and menswear business, there may not be an adequate basis upon which to evaluate our future operating results and prospects. Furthermore, we may have limited insight into the trends and factors that may adversely affect our financial condition and results of operations. Our historical financial performance is therefore not indicative of our future financial performance and should not be used as a basis for assessing our annual growth rates in the future.

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Change of our main production site may adversely affect our business

Our Group entered into lease agreements with Shishi Fuguiniao on 1 November 2013 for the leasing of all office buildings and manufacturing space built on the Old Land owned by Shishi Fuguiniao. For details of such lease agreements, please refer to the section headed “Connected Transactions” in the prospectus. According to the Shishi City Urban Master Plan (2011-2030) issued by the Shishi Housing and Urban-Rural Development Bureau on 7 September 2012, the Old Land has been re-classified as commercial use land and is not allowed to be used for industrial purposes. Shishi Fuguiniao is required to move the production facilities off the Old Land by the end of 2016. Based on our communication with Shishi municipal government, Shishi municipal government has promised to provide Shishi Fuguiniao the New Land to which Shishi Fuguiniao can relocate the production facilities by the end of 2016 and we have the right to use the existing plants on the Old Land before the new plants are built and put into use. Please refer to the paragraph headed “Production – Relocation plan” under the section headed “Business” in the prospectus. Shishi Fuguiniao has also undertaken to our Group to (i) build the new plants on the New Land according to the specifications provided by us, (ii) lease the new plants to our Group at prevailing market rate once such plants have been built on the New Land and put to use and that our Company has the right to renew the lease agreements at prevailing market rate (iii) indemnify any expenses and losses (including any loss of turnover) incurred by our Group in connection with the relocation, which will be in the amount of approximately RMB1.20 million as estimated by our Group; and (iv) renew such lease agreements under similar terms with Shishi Fuguiniao upon expiration of the existing lease agreements.

Shishi Fuguiniao has not yet, as at the Latest Practicable Date, received any further notice regarding particulars of such potential New Land, including its location, area or timing of entry. Furthermore, Shishi Fuguiniao will need to obtain the New Land through bid-inviting, listing or auction process as required under PRC laws. Therefore, we cannot assure you that Shishi Fuguiniao will be able to obtain the New Land or the New Land will be suitable for our production at a reasonable cost or at all. Since we currently use the facilities located on the Old Land to produce approximately 50% of our products, failure to either relocate our production facilities to the New Land or engage a sufficient number of subcontractors to manufacture products for us during the period of the relocation could adversely affect our production and operation. In addition, relocation may also be time consuming and our results of operation may be adversely affected.

We may not be able to maintain our growth or manage our expansion effectively

We experienced rapid growth during the Track Record Period. From 31 December 2010 to 30 June 2013, the number of retail outlets selling our products grew from 1,820 to 3,195. Our turnover grew from RMB1,070.1 million in 2010 to RMB1,932.1 million in 2012 at a CAGR of approximately 34.4%. Comparing the six months ended 30 June 2013 with six months ended 30 June 2012, our turnover grew by 20.1% from RMB903.1 million to RMB1,084.4 million. Our future turnover growth depends on various factors, including:

- continued market demand for our products;
- our ability and effectiveness in researching and developing attractive brands, models and product lines for our targeted markets and responding to changing customer preferences and market demands;
- our ability to attract new distributors and cooperate with authorised distributors to open more retail outlets;

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- our ability to increase sales at our existing proprietary outlets and open new proprietary outlets;
- customers' acceptance of the style or model of new footwear and menswear products that we will be launching into the market;
- sufficient and timely supply of raw materials, semi-finished products and finished products;
- our ability to effectively control cannibalisation among our different brands and adjacent retail outlets during our expansion;
- our ability to maintain or increase retail prices of our products;
- our ability to attract and retain key personnel;
- our ability to systematically manage and control our costs and supply and distribution chains within an enlarged operation;
- our ability to manage production capacity and inventory levels; and
- our ability to further enhance brand recognition and conduct successful marketing activities in an efficient manner.

As many factors affecting our future growth are beyond our control, we may not be able to achieve our historical growth rate.

In addition, as part of our growth strategy, we have adopted an expansion plan pursuant to which we aim to add to our distribution network 1,200 to 1,300 retail outlets to be operated by our distributors and 300 to 400 proprietary outlets to be operated directly by ourselves by the end of 2015. Our expansion plan was formulated on the basis of existing market and operating conditions, our estimated production capacity and forecasted customer demand. These assumptions may not prove accurate and are subject to change. Accordingly, we cannot guarantee we will be able to add the anticipated number of retail outlets to our distribution network or maintain the expected balance between distributor operated retail outlets and proprietary retail outlets as set forth in our expansion plan. If we are unable to successfully implement our expansion plan or manage our growth effectively, our business, results of operation and financial condition would be materially and adversely affected.

We may not be able to manage our manufacturing capabilities to efficiently divide our production capacity among our branded products and OEM/ODM products

We manufacture most of our branded footwear products while outsourcing the remaining portion and all of our menswear and leather accessory products to subcontractors. We also produce footwear products for third-party brands on an OEM/ODM basis. In general, we receive OEM/ODM orders prior to receiving orders for our branded products. We strive to maximise our production efficiency through flexibly dividing our manufacturing capacity among different types of production in accordance with rapid change of market demands and trends. However, we may not be able to anticipate the market change accurately or at all. There is no assurance that uncharacteristically large

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orders from our OEM/ODM customers in the future (or higher profit margin of OEM/ODM products) will not cut into the production capacity of our branded products. In such an event, we may not have enough production capacity for our branded products. If we are not able to secure additional capacity from our subcontractors in a reasonable amount of time or at all, production and sales of our branded products may be adversely affected.

Given that we are not the exclusive vendor for our OEM/ODM customers and we do not have guaranteed orders, we may lose some or all of them in the future

For the year ended 31 December 2010, 2011 and 2012, the turnover generated from our design and manufacture of footwear for third-party brands on an OEM or ODM basis constituted 36.1%, 24.2% and 19.9%, respectively, of our total turnover. We generally do not have long-term purchase commitments from our OEM/ODM customers and our sales are made on the basis of individual purchase orders. We believe that the quality of our products and services have attracted our OEM/ODM customers to purchase from us. However, we are not the exclusive vendor for these customers and we do not have guaranteed orders from them. There is no assurance that these customers will not purchase from other suppliers whom they perceive offer equal or superior products or services, or whom offer lower prices than us. In such event, our business, financial condition and results of operations may be materially and adversely affected.

If we are unable to obtain sufficient quantities of quality raw materials in a timely manner or at acceptable prices, our production schedules could be delayed

We are dependent on outside suppliers for all of our raw material needs and are subject to the prices charged by our suppliers. The primary raw material we use in our production process is leather. Other major raw materials include fabrics, heels, glue, outsoles, insoles, nails, ornaments and zippers. To maintain operations, we must obtain from our suppliers, sufficient quantities of reasonably priced, quality raw materials in a timely manner. Unfavorable fluctuations in the price, quality and availability of these raw materials could have a negative effect on our profit margins and our ability to meet the demands of our customers.

If the supply of our raw materials is substantially reduced or if there are significant increases in prices, we may incur additional costs for sufficient quantities of raw materials in order to maintain our production schedules, thereby decreasing our profit margin. We may not be able to defray these cost increases onto our customers due to competitive pressures. In addition, if we cannot identify alternative sources of raw materials when needed, or obtain sufficient raw materials when required, the resulting loss of production volume could lead to a stock shortage for the supply to our distributors and our proprietary retail outlets, which could harm our reputation and financial performance. Furthermore, if our suppliers fail to meet our quality standards, the quality of our products may be adversely affected, which may lead to complaints, negative publicity or product liability claims against us.

We may experience a shortage of labour or our labour costs may increase

Footwear and menswear manufacturing is labor intensive. Direct labor costs accounted for approximately 14.9%, 14.9%, 15.3% and 16.4% and 15.0% of our cost of sales of in-house production for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. We cannot assure you that we will not experience any shortage of labor or that the cost of labor in China will not increase in

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the future. If we experience a shortage of labor, we may not be able to maintain our production volume. If labor costs increase in China, our production costs will increase and we may not be able to defray these increases onto our customers due to competitive pricing pressures. Accordingly, if we experience a shortage of labor or our labor costs increase, our financial condition and results of operations could be adversely affected.

We depend on subcontractors to manufacture a portion of our products

We engage subcontractors to manufacture a portion of our products according to our specifications. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, approximately 22.6%, 35.6%, 45.1% and 46.1% and 47.9% of our total cost of sales were attributable to subcontracting costs, respectively. Due to our dependence on these subcontractors, we face several significant risks, including, but not limited to:

- difficulty in securing sufficient production capacity at a reasonable cost or at all; and
- limited control over delivery schedules, quality assurance and control, manufacturing yields and production costs.

The ability of a subcontractor to manufacture our products is limited by its production capacity. We generally do not require our subcontractors to allocate a fixed amount of production capacity to us, and we do not have any long-term agreements with any subcontractors, meaning we typically place orders on an individual basis, depending on the purchase orders from our customers. It is possible that other customers of our subcontractors are of a larger scale and are better financed than we are, or have long-term agreements with our subcontractors. Accordingly, our subcontractors may allocate their production capacities to these customers during times of production capacity shortages. Any shortfall in such available production capacity could significantly affect our ability to deliver our products in a timely fashion, which may result in a loss of turnover and may damage our relationships with our customers. In addition, if the cost of subcontracting increases and we are unable to pass on such higher costs to our customers, our profit margins may be significantly reduced, thereby adversely affecting our financial condition and results of operations. We cannot assure you that such quality control is sufficient for us to identify all defects of such semi-finished or finished products, or that such products will have the same quality as those we manufacture ourselves. Any quality problems related to our subcontractors, if undetected, may adversely affect our business and reputation.

Unauthorised use of our intellectual property rights and the sale of counterfeit products of our licensed brands could result in an erosion of goodwill and loss of sales

We believe that our trademarks and other intellectual property rights are crucial to our success. Our principal intellectual property rights include the trademarks associated with our Fuguiniao, FGN and AnyWalk brands, as well as patents for certain technologies. We are in the process of applying for the registration of trademarks for a number of logos. The success of these applications depends on a number of factors. We cannot guarantee that we will be successful in registering all of our trademarks currently undergoing the application processes or the trademarks which we may develop in the future. Furthermore, we depend, to a significant extent, on PRC laws to protect our trademarks, patents or other intellectual property rights. In the 1990s, we encountered instances of counterfeit products

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sold in certain locations in the PRC. We do not believe any of these instances, however, significantly affected our business and operations. There is no assurance that third parties will not infringe on our intellectual property rights, such as through the production and sales of counterfeit products. There is no assurance that we will always be able to identify cases of infringement or potential infringement of our intellectual property rights. If there are counterfeits of our branded products on the market, the image of our brands and our reputation with regards to quality may be adversely affected. Further, our efforts in enforcing or defending our intellectual property rights may not be adequate, and enforcing or defending such rights may require significant attention from our management team and may be costly. The outcome of any legal actions to protect our intellectual property rights may be uncertain. If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition and results of operations and prospects may be adversely affected.

We may not be able to fully and effectively compete against online footwear and apparel retailers in China

We primarily rely on our distributors to sell our products to consumers and do not have substantial operation to sell our products through direct channels such as online sales. The rapid technological development of the Internet has fundamentally changed traditional transaction patterns. As e-commerce has become more popular, consumers and businesses have increasingly engaged in online evaluation, selection and purchase of goods and services. This increase has been fueled by (i) consumers rapidly adopting online shopping practices, (ii) more traditional retailers embracing online shopping, and (iii) new technologies being introduced to enhance online shopping experiences. Recently, a number of large-scale online footwear and apparel retailers emerged and an increasing number of leading retailers are offering secured online ordering and home delivery services. Therefore, we may face competition from the online retailers. If we fail to cater to the development of e-commerce and cannot expand our online retail business efficiently and quickly compared to our competitors or at all, our market share may decrease and our results of operations may be adversely affected.

Our sales volume is sensitive to changes in consumer spending patterns, seasonality and change of weather patterns

In the footwear and menswear industry, consumer spending patterns are affected by various factors, including local economic conditions, uncertainties about future economic prospects, interest rates, taxation, and shifts in discretionary spending towards other goods and services. Consumer preferences and economic conditions may differ or change from time to time in each market in which we operate.

We experience seasonal fluctuations in our turnover generated from China as consumer spending patterns vary on a seasonal basis. We generally record higher sales during holidays and festivals, as compared with our sales in other periods in a financial year. In addition, we typically generate more turnover from sales of our winter and fall collections than spring and summer collection because the shoes and apparel we sell in fall and winter are priced higher than those we sell in spring and summer. As a result of these fluctuations, comparisons of sales and results of operations between different periods within a single financial year, or between different periods in different financial years cannot be relied on as indicators of our performance. Any change in spending patterns, consumer demands, market trends or timing of festival seasons may intensify such fluctuations and adversely or seasonally affect our business, financial condition and results of operations.

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Weather patterns may also change consumer preferences. Usually, consumers tend to purchase lighter and thinner footwear and apparel products when the weather is relatively warm, and heavier and thicker footwear and apparel products when the weather is relatively cold. As such, if the weather is significantly different from what we have expected, we may not have suitable footwear and menswear products to meet consumers' demands. In the event of a severe unexpected change in weather patterns, we may not have time to plan our sales suitable for the season, and our business, financial condition and results of operations may be adversely affected.

We may be subject to penalties for our past loan advancing activities to our related parties

We have made loan advances to our related parties, including Shishi Fuguiniao, during the Track Record Period and have received in aggregate interest payments in connection with these loan advances in the amount of RMB24.5 million, RMB26.2 million and RMB10.3 million for the years ended 31 December 2010, 2011 and 2012, respectively. These loans have been fully repaid in August 2012 and we have not made any such advances since then. As advised by our PRC legal adviser, Zhong Lun Law Firm, such lending activities contravened certain provisions of the Lending General Provisions (貸款通則) promulgated by the PBOC in 1996. According to the Lending General Provisions, the maximum penalty that may be imposed on our Group by the PBOC for such contravention is a total fine in the amount between one time and five times the interests gained from such loans. There can be no assurance that the PBOC will not levy such a fine or other penalties. In addition, although our Controlling Shareholders have agreed to indemnify us for any such penalty, such indemnity may not be enforceable or the amount of the fine may exceed what the Controlling Shareholders are able to pay. Such a penalty may also adversely affect our financial condition, results of operations and reputation.

We may be requested to make up any unpaid contribution to the social security insurance and housing fund schemes during the Track Record Period

Pursuant to relevant PRC laws and regulations, we are required to contribute to social welfare schemes for all of our employees. Such schemes include social insurance contributions (including unemployment insurance, medical insurance, work-related insurance, pension insurance and maternity insurance). During the Track Record Period, we did not fully comply with the social insurance contributions requirements as we did not make full contributions for employees who participate in the new type of rural social pension insurance, employees for whom we are not able to pay unemployment insurance due to their participation in the new type of rural social pension insurance instead of social pension insurance, foreign staff and employees who participate in the new type of rural medical insurance.

As advised by Zhong Lun Law Firm, our PRC legal adviser, if we fail to pay the full amount of social insurance as scheduled, the relevant authorities may order us to make the social insurance payment or to make up the difference within a stipulated period and (i) in respect of any overdue social insurance incurred before 1 July 2011, if payment is not made within the stipulated period, levy a surcharge equal to 0.2% of the overdue social insurance for each day from the date on which the social insurance became overdue; and (ii) in respect of any overdue social insurance incurred on or after 1 July 2011, levy a surcharge equal to 0.05% of the overdue social insurance for each day from the date on which the social insurance became overdue. If payment is not made within the stipulated period, the relevant administration department may impose a fine of one to three times the amount of overdue

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social insurance on us. If we are required to pay the outstanding social security insurance fund and/or any late payment and/or penalty imposed by the social security bureau, our business reputation may be adversely affected. See “Business – Legal Proceedings and Non-Compliance” in this prospectus for more information.

We have no experience operating overseas and we may not be able to successfully expand our business internationally

We sell most of our men’s and women’s footwear products to overseas customers located in Europe and North America on an OEM or ODM basis. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, turnover generated from the sales of our footwear products to OEM/ODM customers accounted for 36.1%, 24.2%, 19.9% and 20.2% and 15.2%, respectively, of our total turnover. We currently have plans to expand our business overseas by, among others establishing and developing overseas sales channels, procuring raw materials globally and engaging international market promotion and advertising. See the section headed “Business – Our Business Strategies” for more details. However, other than our dealings with OEM/ODM customers, we have not established any sales or distribution channels nor have we operated our business overseas. There is no assurance that we will be able to successfully implement our strategy to expand our business internationally, or at all. Our failure to do so will have a material and adverse effect on our business and reputation.

We may not be able to establish an effective and fully-integrated information management system to accurately track and monitor the inventory levels of our distributors

We sell a large proportion of our branded products through our distributors. We require our distributors to provide us quarterly inventory reports so that we are able to monitor their inventory levels and allow them to place additional order with us. As at the Latest Practicable Date, we have not adopted any DRP system, which is generally used for planning orders within a supply chain, in the retail outlets operated by our distributors and third-party retailers. We plan to install a DRP system in phases to track inventory levels in a real-time environment and to forecast demand for our products at all retail outlets. However, there is no assurance that we will be able to procure the consent of all relevant distributors and/or third-party retailers required for the installation of the DRP system. Therefore we may not be able to install the DRP system at all of the retail outlets. For those retail outlets at which we are unable to install the DRP system, we can only rely on the information provided by our distributors. Furthermore, pending completion of the installation and linkage of the DRP system, we may not be able to ensure the accuracy of the data provided by the relevant distributors. As a result, we may not be able to accurately track the sales and inventory levels or to identify or prevent any excessive inventories building-up at all of the retail outlets. If our distributors, third-party retailers or the relevant staff at the retail outlets are unable to manage their respective inventory levels, their future orders of our products may become difficult to monitor or predict, which may increase the volatility in our results of operations and create difficulties for us in terms of production planning.

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Our insurance coverage may not be sufficient to cover the risks relating to our operations and potential losses

Our operations are subject to hazards and risks that are typically associated with manufacturing operations which may cause significant injury or damage to person or property. We carry insurance to protect ourselves from a range of contingencies including, among others, risk of loss, theft of, and damage to, among others, property, plant and equipment, and inventory in all of our production facilities and warehouses. However, no assurance can be given that our insurance coverage will be able to cover all types of, or be sufficient to cover the full extent of any loss, theft, damage or injury to person or property for which we may be held liable.

We also face exposure to product liability claims in the event that any of our products are alleged to have resulted in property damage, bodily injury or other adverse effects. Insurance coverage for product liability is not a requirement under PRC law. We do not have insurance coverage for product liability. As such, we may be exposed to product liability claims and may have to expend significant financial and managerial resources to defend such claims or to enter into settlement agreements. This may divert resources away from pursuing our business strategies and have an adverse impact on our results of operations financial condition, reputation and the image of our brands.

Our ability to meet the demand of and our contractual obligations to our customers as well as our ability to grow our business are all heavily dependent on the efficient, proper and uninterrupted operations of 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 will severely affect our ability to continue our operations and may cause significant property damage and personal injuries. As at the Latest Practicable Date, we did not carry any business interruption insurance and our existing insurance policies may not be sufficient to compensate us for any losses arising from damage to our buildings, equipment and infrastructure. In addition, there are certain types of losses, such as those resulting from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters, for which we cannot obtain insurance at a reasonable cost or at all. Any events and any losses or liabilities that are not covered by our current insurance policies may have a material adverse impact on our business, financial condition, results of operations and prospects.

Certain defects in title of our own properties and in our lease agreements relating to certain properties occupied by us in China may materially and adversely affect our ability to use such properties

As at the Latest Practicable Date, we leased 47 properties with a total gross floor area of 179,384.77 square meters in China, five of which the owners were not able to provide us with relevant title ownership certificates. As advised by our PRC legal adviser, lease agreements of such leased properties may not take effect and may be non-binding if the owners do not have valid ownership of these leased properties. Before our landlords obtain and/or provide the proper building ownership certificates, our rights to such properties may not be entirely protected. Any dispute or claim relating to the title of the buildings we lease may result in the requirement for us to relocate. We cannot assure you that we will not encounter any challenges by any third parties on the title to such property, which might adversely affect our current occupation, and there is no assurance that we will be able to secure alternative space for our business if we are required to relocate. If our landlord

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cannot obtain the relevant building's ownership certificates in a timely manner and our legal right to use or occupy the building is challenged, we may incur additional relocation costs and our business operation may be disrupted, any of which will have a material and adverse effect on our business, financial condition and results of operations.

We rely on our key personnel for our future growth

The Directors and our senior management implement our business plans and oversee our day-to-day operations. In addition, the creative efforts and innovation of our design team play a crucial role in determining whether our merchandise has the requisite market appeal for achieving a healthy sales volume. Our future development and expansion will rely on the continued dedication, skills and experience of such key personnel, in particular, Mr. Lam Wo Ping and other members of our senior management team as mentioned in the section entitled "Directors, Supervisors and Senior Management" in this prospectus.

Members of our key personnel may terminate their employment with us at will. There is no assurance that we can retain such key personnel for their future services, nor that we can assure that qualified personnel can be found to replace any potential loss of such key personnel, which could adversely affect our profitability and operations.

Our Controlling Shareholders have substantial control over us, and their interests may not be aligned with the interests of our other Shareholders

Immediately after the Global Offering, our Controlling Shareholders will directly and indirectly own an aggregate of approximately 65.85% of our Shares, if the Over-Allotment Option is not exercised, or approximately 63.47% of our Shares, if the Over-Allotment Option is exercised in full. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. In cases where their interests are aligned and they vote together, our Controlling Shareholders will also have the power to either prevent or cause a change in control. To the extent the interests of our Controlling Shareholders conflict with the interest of other Shareholders, the interests of other Shareholders may be disadvantaged or harmed.

Our OEM/ODM export sales may fluctuate and may be restricted by anti-dumping measures or the imposition of tighter technical standards by the governments of our export destinations abroad

A significant portion of the products we produced for third-party footwear brand operators are exported overseas to regions including the North America, East Asia, Europe and Russia. Our OEM/ODM products are subject to the respective laws, regulations and industry standards in the jurisdictions where they are exported to. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our total export sales turnover was approximately RMB356.8 million, RMB358.6 million, RMB353.6 million and RMB162.1 million and RMB163.8 million, respectively, which accounted for approximately 33.3%, 21.7%, 18.3% and 17.9% and 15.1% of our total turnover, respectively. For the six months ended 30 June 2013, our largest export destination was Italy. Our export sales fluctuated slightly during the Track Record Period due to factors such as the economic conditions of our export destinations, which are beyond our control.

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In the past, the governments of some of our export destinations have adopted anti-dumping measures to exclude imported footwear in order to protect their local industry. A number of these countries and regions have also passed standards relating to security, hygiene, technology and the environment, some of which have had an impact on footwear exported from the PRC. There is no assurance that anti-dumping measures will not be adopted or that standards relating to security, hygiene, technology and the environment that affect our exports will not be further tightened in the future. To the best knowledge and information of our Directors, none of our products were subject to any anti-dumping measures and duties in each of the countries where our products were exported since 1 April 2011 when the EU lifted its anti-dumping measures. However, there is no assurance that our products will not be subject to any anti-dumping measures in the future and duties in any of the countries where our Group's products are or will be exported in the future. Should any of such events occur, our export sales may drop substantially and hence our financial condition, results of operations and prospects may be adversely affected.

Our ability to obtain additional financing may be limited

In pursuing our business strategies, we expect our working capital needs and our capital expenditure needs will increase significantly in the future. Our ability to raise additional capital will depend on the financial success of our current business and other factors including economic and market conditions, some of which are beyond our control. We cannot assure you that we will be able to raise the necessary capital in time and on reasonable terms or at all. Furthermore, if we opt for equity financing, this may also have a dilutive effect on our Shareholders. We may also require additional debt financing in the future, which may require us to enter into restrictive covenants that may limit the options we have available in the conduct of our future business operations. Servicing these future debts will also restrict our cash flow and consequently our business operations, results of operations and financial condition, may be adversely affected.

Our business may be adversely affected by claims by third parties for possible infringement of their intellectual property rights

Third parties, including our competitors, may claim that our products have infringed upon their intellectual property rights and initiate legal proceedings against us. If any legal proceeding against us for infringement of any third-party's intellectual property rights is successful, and if we are unable to obtain a licence for the usage of such intellectual property right on acceptable terms, or at all, or are unable to design around such intellectual property rights, we may be prohibited from manufacturing or selling products which are dependent on the usage of such intellectual property. In such case, we may experience a material adverse effect on our business and reputation. Additionally, this type of proceeding and its consequences could divert management's attention from our business. All of these consequences could have a material adverse effect on our business, financial condition, results of operations and prospects.

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RISKS RELATING TO OUR INDUSTRY

The PRC footwear and menswear manufacturing industry is highly competitive

The PRC footwear and business casual menswear manufacturing industry is highly competitive and characterised by frequent introduction of new designs, short product life cycles, price sensitivity, and customers' focus on quality and timely delivery. We cannot assure you that we will be able to sustain our competitive position in the future. Furthermore, the industry has experienced rapid advances in casual and fashion footwear and business casual menswear designs and features. Our competitors, including large international brands, established local brands and new entrants, may have more resources with which to design and market their products as well as may offer better product development or manufacturing services and/or lower prices than we do, which may allow them to increase their market share at our expense. In addition, some of our competitors may be publicly-listed companies and therefore, may have better access to financings from international capital markets than we do. To the extent that we are not able to develop or incorporate new casual and fashion footwear and business casual menswear designs as timely as other manufacturers, our operating results may also be materially and adversely affected.

We are subject to the slowdown of the global economy

We were adversely affected by both the global financial crisis that occurred in late 2008 and early 2009 and the subsequent European sovereign debt crisis. We sell our OEM/ODM products to customers overseas, including those in Russia, Italy and Austria. The footwear industry is very sensitive to changes in the economy, as any shift in discretionary spending on consumer goods and services may have an adverse effect on the industry. Any recurrence of the global financial crisis may adversely affect the economies of China and other countries to which we export our products and could in turn adversely affect our business and results of operations. When confronted with times of such financial crisis, we may have to offer deep discounts for an extended period to attract customers and maintain our sales volume.

RISKS RELATING TO THE PRC

The PRC's political, economic and social conditions could affect our business, financial condition, results of operations and prospects

China's economy differs from the economies of most developed countries in many respects, including but not limited to structure, level of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources.

China's economy has been transitioning from a planned economy to a more market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures to emphasise the utilisation of market forces in economic development. We cannot predict whether changes in China's political, economic and social conditions, as well as its laws, regulations and policies, will have any material adverse effect on our current or future business, financial condition and results of operations.

RISK FACTORS

Changes in foreign exchange regulations and future movements in the exchange rate of the Renminbi may adversely affect our financial condition and results of operations and our ability to pay dividends

A substantial proportion of our turnover and expenses are denominated in Renminbi, which is currently not a freely convertible currency. Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to undertake current account foreign exchange transactions, including payment of dividends in foreign currency without prior approval from the SAFE. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future.

In addition, foreign currency transactions under our capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to significant foreign exchange controls and require the approval of the SAFE. These limitations could affect our ability to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures.

We generate a portion of turnover in foreign currency in relation to our international sales. For the six months ended 30 June 2013, such foreign currency-denominated turnover, as determined by the currency on invoices issued to relevant customers, accounted for approximately 12.6% of our total turnover. We also purchase raw materials mainly for our OEM/ODM manufacturing in foreign currencies, primarily in U.S. dollars. As a result, our operations are exposed to fluctuations in exchange rates of the RMB against these foreign currencies. Although we have purchased foreign exchange hedging products, there is no assurance that such products are sufficient to cover our loss. The value of the Renminbi may fluctuate due to a number of factors. In 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under the current policy, the RMB is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall by as much as 1% each day. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further appreciation of the RMB against the U.S. dollar or other foreign currency. However, we cannot predict if or when any further reforms of China's exchange rate system will occur. Fluctuations in the Renminbi value will affect the amount of our non-Renminbi debt service, if any, in Renminbi terms since we will have to convert Renminbi into non-Renminbi currencies to service our foreign debt, if any. Since our income and profits are denominated in Renminbi, any appreciation of Renminbi will also increase the value of, and any dividends payable on, our H Shares in foreign currency terms. Conversely, any depreciation of Renminbi will decrease the value of, and any dividends payable on, our H Shares in foreign currency terms.

The PRC legal system is still evolving and has inherent uncertainties that could limit the legal protections available to you

As we are a company incorporated under PRC law and substantially all of our businesses are conducted in China, our operations are principally governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as 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 the aim of developing a comprehensive system of commercial laws. However, because these laws and regulations are still evolving, and because of the limited volume of published cases and their non-binding nature, the interpretation of PRC laws and regulations still involves a degree of uncertainty.

RISK FACTORS

Substantial amendments to the PRC Company Law and the PRC Securities Law came into effect on 1 January 2006. As a result, the State Council and the CSRC may revise the Special Regulations and the Mandatory Provisions and adopt new rules and regulations to implement and reflect the amendments to the PRC Company Law and the PRC Securities Law. We cannot assure you that any revision of the current rules and regulations or the adoption of new rules and regulations by the State Council and the CSRC will not have a material adverse effect on the rights of holders of H Shares.

As a PRC company offering and listing its H Shares outside the PRC, we are subject to the Special Regulations and the Mandatory Provisions. Upon the listing of the H Shares on the Hong Kong Stock Exchange, the Listing Rules will become the principal basis for the protection of the rights of holders of H Shares. The Listing Rules impose particular standards of conduct and disclosure on our Company, our Directors and the Controlling Shareholders of our Company. As far as we are aware, China has not published any case report that involves a request by a holder of H shares of a PRC company to exercise his or her rights under any constitutional document of a PRC joint stock limited liability company, the PRC Company Law or any regulatory provisions of the PRC applicable to PRC joint stock limited liability companies.

It may be difficult to effect service of process upon us, our Directors or our executive officers that reside in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts

The legal framework to which our Company is subject is materially different from the Companies Ordinance or corporate law in the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject are also relatively undeveloped and untested. However, according to the PRC Company Law, shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

On 14 July 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under such an arrangement, where any designated people's court in the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court in the PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

Our Articles of Association provides that disputes between holders of H Shares and our Company, our Directors, Supervisors or officers, arising out of the Articles of Association or any rights or obligations conferred or imposed upon by the PRC Company Law and related regulations concerning its affairs, such as the transfer of our Shares, are to be resolved through arbitration by arbitral committees in China or the Hong Kong International Arbitration Centre (香港國際仲裁中心), rather than by a court of law. In addition, on 18 June 1999, the Supreme People's Court of the PRC and the Government of Hong Kong signed

RISK FACTORS

the Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互執行仲裁裁判的安排). This arrangement, made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000. Under the arrangement, awards that are made by the PRC arbitral authorities recognised under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong, and awards made by Hong Kong arbitral authorities are also enforceable in the PRC. However, so far as we are aware, there has not been any published report of judicial enforcement in the PRC by a holder of H shares seeking to enforce an arbitral award made by the PRC arbitral authorities or Hong Kong arbitral authorities, and there are uncertainties as to the outcome of any action brought in the PRC to enforce an arbitral award made in favor of a holder of H shares. Accordingly, we are unable to predict the outcome of any such action.

In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections. As such, our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

Substantially all of our Directors, Supervisors and executive officers reside within the PRC. Substantially all of our assets and substantially all of the assets of our Directors, Supervisors and executive officers are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it may not be possible for investors to affect service of process upon us or those persons in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Payment of dividends is subject to restrictions under PRC law

Under PRC law and our Articles of Association, we may only pay dividends out of our distributable profits. Distributable profits are our net profits as determined in accordance with PRC GAAP or IFRS, whichever is lower, minus any recovery of accumulated losses and allocations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year will be retained and available for distribution in subsequent years.

Moreover, because distributable profits are calculated differently under PRC GAAP from those under IFRS, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Any failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our shareholders in the future, including in those periods for which our financial statements indicate that our operations have been profitable.

RISK FACTORS

Foreign individual holders of our H Shares are subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of our H Shares

Under current PRC tax laws, regulations and rules, foreign individuals and foreign enterprises that are not PRC residents are subject to different tax obligations with respect to the dividends paid by us or the gains realized upon the sale or other disposition of H Shares.

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) issued by the SAT on 28 June 2011, we are required to withhold taxes from dividend payments to non-PRC resident individual holders of H Shares at rates ranging from 5% to 20% (usually 10%), depending on the applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders of H Shares who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us.

Under the PRC CIT Law and its implementation rules, for foreign enterprises that do not have offices or establishments in the PRC, or have offices or establishments in the PRC to which their income is not related, dividends paid by us and the gains realised by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC corporate income tax at a rate of 10%, subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence. In accordance with the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Corporate Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代繳企業所得稅有關問題的通知》國稅函[2008]897號), which became effective on 6 November 2008, 10% withholding tax shall be imposed on dividends paid by Chinese resident enterprises to holders of H Shares that are overseas non-resident enterprises. These holders of H Shares may apply for tax refunds in accordance with applicable tax treaties or arrangements, if any. In addition, the PRC tax laws, rules and regulations may also change from time to time. If the tax rates stipulated in the 2008 Corporate Income Tax Law and the related implementation rules are amended, the value of your investment in our H Shares could be materially and adversely affected.

In addition, it is also unclear whether and how the PRC individual income tax and corporate income tax on gains realised by non-resident holders of H shares through the sale, or transfer by other means, of H shares will be collected by the PRC tax authorities in the future, although such tax has not been collected by the PRC tax authorities in practice. Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realised through sale or transfers of the H Shares. For additional information, please see "Appendix IV – Taxation and Foreign Exchange" to this prospectus.

RISK FACTORS

Any change in our tax treatment, including an unfavorable change in preferential corporate tax rates in the PRC, may have a negative impact on our operating results

On 16 March 2007, the National People's Congress of the PRC promulgated the PRC EIT Law, which came into effect on 1 January 2008 and supersedes both the Foreign-invested Enterprise and Foreign Corporate Income Tax Law and the Provisional Regulations on Corporate Income Tax of the PRC. The PRC CIT Law consolidates the two separate tax regimes for domestic enterprises and foreign-invested enterprises and imposes a unified corporate income tax rate of 25% for both types of enterprise.

Under the PRC CIT Law, foreign-invested enterprises that enjoyed a preferential tax rate prior to the PRC CIT Law's promulgation will gradually transit to the new tax rate over five years starting on 1 January 2008. Foreign-invested enterprises that enjoyed a tax rate of 24% will have their tax rate increased to 25% in 2008. Enterprises which enjoyed a fixed period of tax exemption and reduction prior to the PRC CIT Law's promulgation will 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 before due to lack of profit, such preferential tax treatment will commence on 1 January 2008.

Under the previous tax regime, since Fujian Fuguiniao is a foreign-invested enterprise engaged in the manufacturing business, it is entitled to a corporate income tax exemption for two years commencing from the first profit-making year (after offsetting all tax losses carried forward from previous years), and a 50% tax reduction for the following three consecutive years. Under the PRC CIT Law, Fujian Fuguiniao enjoyed a full exemption from state corporate income tax in 2008 and 2009 and a 50% reduction of the phased-in corporate income tax rate of 25% for three years from 2010 to 2012, and will thereafter be subject to a 25% tax rate from 2012 onwards. In 2012, Fujian Fuguiniao did not meet the requirements of a productive foreign invested enterprise under the relevant PRC tax rules, and therefore, Fujian Fuguiniao could not enjoy the 50% reduction of tax rate.

In addition, we enjoyed a 15% export rebate rate, either by refund from relevant tax bureau, or by deduction from Value-added Tax payable, for the footwear products we exported during the Track Record Period. The turnover we generated from the sales of our products to our overseas OEM/ODM customers accounted for approximately 15.1% of our total turnover for the six months ended 30 June 2013. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, we received refund of export rebates of RMB14.4 million, RMB2.8 million, RMB Nil and RMB Nil and RMB Nil, respectively. However, we cannot assure you that such export rebate policy will not be abolished or amended in the future. If we cannot enjoy the export rebates, our profit in relation to such exported products will decrease. We cannot assure you that we could pass the additional expenses onto our OEM/ODM customers, or that if we try to, our cost competitiveness on the international market would not suffer. In such circumstance, our financial conditions and results of operations may be adversely affected.

Inflation in the PRC could negatively affect our profitability and growth

Economic growth in the PRC has, in the past, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the economy, including tighter bank lending policies and increases in bank interest rates. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that unfolded in 2008 may have contributed to

RISK FACTORS

the occurrence of, and continuing increase in, inflation in China. If such inflation is allowed to proceed without mitigating measures by the PRC government, our costs of production and sales will likely increase, and our profitability may be materially reduced, as there is no assurance that we will be able to pass any cost increases onto our customers. If the PRC government implements new measures to control inflation, these measures may also slow economic activity and reduce demand for our products and services, thereby severely hampering our growth.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities in which we operate, face the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities in which we have operations or sales, may result in material disruptions to our production, marketing and sales, which in turn may adversely affect our business, financial condition and results of operations.

In March 2013, an outbreak of the A (H7N9) strain of avian influenza occurred in eastern China. It is possible that its outbreak will spread to other areas in China, including Fujian Province where our production facilities are located, and pose a threat to human health. In that case, the health of our employees might be affected, which would have an adverse effect on our production and our profitability, especially if large numbers of our employees must be quarantined. Furthermore, as we sell our products all over the PRC, any further spread of the influenza will adversely affect our marketing activities. For example, our promotional events and logistics might be hampered or slowed down considerably.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares. The liquidity and market price of our H Shares following the Global Offering may be volatile

Prior to the Global Offering, there has been no public market for our H Shares. The initial Offer Price range issued to the public for our H Shares will be the result of negotiations between our Company and the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied to list and deal in our H Shares on the Hong Kong Stock Exchange. We cannot assure you that the Global Offering will result in the development of an active, liquid public trading market for our H Shares. In addition, the price and trading volumes of our H Shares may be volatile. Factors such as variations in our turnover, earnings and cash flows or other developments in our business or industries or the financial markets may affect the volume and the price at which our H Shares will trade.

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Any possible conversion of our Domestic Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares

Subject to the approval of the CSRC, all of our Domestic Shares may be converted into H Shares in the future, and such converted Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares any requisite internal approval by Shareholders in a general meeting shall have been duly obtained and the approval from relevant PRC regulatory authorities shall have been obtained. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon obtaining the requisite approval, our Domestic Shares may be traded, after the conversion, in the form of H Shares on the Hong Kong Stock Exchange after one year of the Global Offering, which could further increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Because the Offer Price is higher than the net tangible book value per share of our Company, the purchasers of our H Shares will incur immediate dilution

The initial public offering price of our H Shares is higher than the net tangible asset per share of the outstanding shares issued to our existing shareholders. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in net tangible asset of HK\$4.69 per H Share (assuming an Offer Price of HK\$8.61 per H Share, being the mid-point of our indicative Offer Price range, and assuming the Over-allotment Option is not exercised), and our existing shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset per share of their shares. In addition, holders of our H Shares may experience a dilution of their proportional interest in our Company if we raise additional capital in the future.

Dividends declared in the past may not be indicative of our dividend policy in the future

In 2010, 2011 and 2012, we declared dividend of RMB130.4 million, RMB130.7 million and RMB152.4 million, respectively. On 28 June 2013, we declared dividends in the amount of RMB200.0 million.

Although we have paid dividends in the past, we cannot assure you that our dividend policy will not change, and potential investors should be aware that the amount of dividends that were paid in the past should not be used as a reference or basis upon which future

RISK FACTORS

dividends will be determined. Whether dividends will be distributed and the amount to be distributed will depend on factors such as our profitability, financial condition, future prospects and cash requirements. Any declaration and payment, as well as amount of dividends, will be subject to our Articles of Association and PRC laws, including approval(s) of our Shareholders and/or our Directors. As a result of the foregoing, we cannot assure you that we will make any dividend payments on our H Shares in the future with reference to our historical dividends. See “Financial Information – Dividend Policy”.

We have significant discretion as to how we will use the net proceeds of the Global Offering and you may not necessarily agree with how we use them

Our management may utilise the net proceeds of the Global Offering in ways you may not agree with or that do not yield favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering to increase our existing sales channels, expand our business overseas, purchase relevant electronic equipment and software to improve our operations and to provide funding for working capital and general corporate purposes. For details of our use of proceeds, please see “Future Plans and Use of Proceeds”. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, team, upon whose judgment you must depend to determine the specific uses for the net proceeds from the Global Offering.

Facts, forecasts and statistics contained in this prospectus with respect to the PRC, Hong Kong and other jurisdictions and their economies and footwear and menswear industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date

Facts, forecasts and statistics in this prospectus relating to the PRC, Hong Kong, and other jurisdictions and their economies and footwear and menswear industries are derived from various official or third-party sources. While we have exercised reasonable care in compiling and reproducing these facts, forecasts and statistics, they have not been independently verified by us. We make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside these jurisdictions and may not be complete or up-to-date. Moreover, the statistics in this prospectus may be inaccurate or less developed than statistics produced for other economies and should not be unduly relied upon.

Sales, or perceived sales, of substantial amounts of our H Shares in the public market could materially and adversely affect the prevailing market price of our H Shares

The H Shares held by our Controlling Shareholders are subject to certain lock-up periods falling six and 12 months after the date on which trading in our H Shares commences on the Stock Exchange, the details of which are set out in the section entitled “Underwriting” in this prospectus. We cannot assure you that our Controlling Shareholders will not dispose of any H Shares after such restrictions expire. Sales of substantial amounts of our H Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our H Shares.

RISK FACTORS

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering, which may not be consistent with the information contained herein

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. We have not authorised the disclosure of any information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENT 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 of Hong Kong and the Listing Rules for the purpose of giving information with regard to our Company. 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 herein or this prospectus misleading.

CSRC APPROVAL

We have obtained approval from the CSRC for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange. In granting such consent, CSRC does not accept any responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus.

UNDERWRITING

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

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor.

The Sole Global Coordinator is the global coordinator of the Global Offering. The Joint Bookrunners are the bookrunners of the Global Offering.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters listed in the section headed "Underwriting" subject to agreement on the Offer Price between us (on behalf of ourselves) and the Joint Bookrunners (for themselves and on behalf of the underwriters). The Joint Lead Managers are the lead managers of the Hong Kong Public Offering.

The International Offering is expected to be underwritten by the International Underwriters.

For further details about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus 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 and sale 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 securities regulatory authorities or an exemption therefrom.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering. Except for such pending application to the Listing Committee for the listing of, and permission to deal in, our H Shares, no other part of our share or loan capital is listed on or dealt in on any other stock exchange or on any other authorised trading facility such as the Securities Trading Automated Quotation System and no such listing or permission to list is being or proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding or dealing in our H Shares, you should consult an expert. It is emphasised that none of us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors nor any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding or disposing of our H Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in Global Offering will be registered on our H Share register to be maintained in Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to the Hong Kong stamp duty. See “Appendix IV – Taxation and Foreign Exchange” in this prospectus.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

Each acquirer of our H Shares agrees with us and each of our Shareholders, and we agree with each of our Shareholders, to observe and comply with the PRC Company Law, the Special Regulations of the State Council on Overseas Offering and Listing of Shares by Joint Stock Limited Companies and our Articles of Association.

Each acquirer of our H Shares agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers, agree with each of our Shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive.

Each acquirer of our H Shares agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof.

Each acquirer of our H Shares authorises us to enter into a contract on his behalf with each of our Directors and officers whereby such Directors and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the sections headed “Underwriting – The International Offering – Over-allotment Option” and “Structure of the Global Offering – Over-allotment and Stabilization” in this prospectus, respectively.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set forth in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

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

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB and US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK\$1.0000: RMB0.7914 (set by the PBOC for foreign exchange transactions prevailing on 3 December, 2013)

HK\$7.7526: US\$1.0000 (the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States on 29 November, 2013)

No representation is made that any amounts in RMB, US\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of the PRC nationals, entities (including certain of our subsidiaries), departments, facilities, certificates, titles, laws, regulations and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name shall prevail.

ROUNDING

Numerical figures have, in certain cases, been rounded. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
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Executive Directors

Mr. Lam Wo Ping (林和平先生)	Room 501, Building A Fuguiniao Industrial Park East Section, Baqi Road Shishi City Fujian Province The PRC	Chinese
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Ms. Han Ying (韓英女士)	Room 802, Unit 1, Building 1 Mingzhu Apartment Xihu District Hangzhou City Zhejiang Province The PRC	Chinese
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Mr. Hong Huihuang (洪輝煌先生)	No. 19, Yaoneixi East Road Xipu Village Yinglin Town Jinjiang City Fujian Province The PRC	Chinese
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Non-executive Directors

Mr. Lam Wo Sze (林和獅先生)	Room 201, Building A Fuguiniao Industrial Park East Section, Baqi Road Shishi City Fujian Province The PRC	Chinese
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Mr. Lam Kwok Keung (林國強先生)	Room 202, Building A Fuguiniao Industrial Park East Section, Baqi Road Shishi City Fujian Province The PRC	Chinese
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Mr. Lam Wing Ho (林榮河先生)	Room 402, Building A Fuguiniao Industrial Park East Section, Baqi Road Shishi City Fujian Province The PRC	Chinese
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DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Mr. Zhai Gang (翟剛先生)	Room 102, Building 10 Siji Park Gulou District Nanjing City Jiangsu Province The PRC	Chinese
Independent non-executive Directors		
Mr. Wang Zhiqiang (王志強先生)	Room 103 No. 12 Haibin East District Xiamen University Siming District Xiamen City Fujian Province The PRC	Chinese
Ms. Long Xiaoning (龍小寧女士)	Room 103, Jingxian Building 12 Xiamen University No. 422-24 Siming South Road Siming District Xiamen City Fujian Province The PRC	Chinese
Mr. Li Yuzhong (李玉中先生)	No. 301, Gate 3 Building 21 No. 59 Courtyard Gaoliangqiaoxie Street Haidian District Beijing City The PRC	Chinese
Mr. Zhang Huaqiao (張化橋先生)	House 2, Le Bleu Coastal Skyline 12 Waterfront Road Tung Chung Hong Kong	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Global Coordinator and
Sole Sponsor**

**CITIC Securities Corporate Finance (HK)
Limited**

26/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

**Joint Bookrunners and
Joint Lead Managers**

**CITIC Securities Corporate Finance (HK)
Limited**

26/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Macquarie Capital Securities Limited

Level 18, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Legal advisers to our Company

As to Hong Kong and United States law:

Orrick, Herrington & Sutcliffe

43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road
Central
Hong Kong

As to PRC law:

Zhong Lun Law Firm

10/F, Tower A, Rongchao Tower
6003 Yitian Road
Futian District
Shenzhen
Guangdong Province
PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to the Sole Sponsor and the Underwriters

As to Hong Kong and United States law:

Simpson Thacher & Bartlett

35th Floor, ICBC Tower
3 Garden Road
Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng

34/F, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District, 100025
Beijing
PRC

Auditors and reporting accountants

KPMG

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

Independent property valuer

DTZ Debenham Tie Leung Limited

16/F, Jardine House
1 Connaught Place
Central
Hong Kong

Receiving banker

Bank of China (Hong Kong) Limited

1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office	Fuguiniao Industrial Park East Section, Baqi Road Shishi City Fujian Province The PRC
Headquarters and principal place of business in PRC	Fuguiniao Industrial Park East Section, Baqi Road Shishi City Fujian Province The PRC
Principal place of business in Hong Kong	Room 1002, 10/F Harbour Crystal Centre 100 Granville Road Tsim Sha Tsui Kowloon Hong Kong
Company's website	www.fuguiniao.com <i>(the information contained in this website does not form part of this prospectus)</i>
Compliance adviser	Industrial Securities (HK) Capital Limited Unit 3201, 32/F Infinitus Plaza 199 Des Voeux Road Central Hong Kong
Company secretary	Mr. Liu Guodong (HKICPA)
Authorised representatives	Mr. Lam Wo Ping Room 501, Building A Fuguiniao Industrial Park East Section, Baqi Road Shishi City Fujian Province The PRC Mr. Liu Guodong Room 517, Building E Fuguiniao Industrial Park East Section, Boqi Road Shishi City Fujian Province The PRC
Audit committee	Mr. Wang Zhiqiang (<i>Chairman</i>) Ms. Long Xiaoning Mr. Lam Wo Sze

CORPORATE INFORMATION

Remuneration committee

Mr. Zhang Huaqiao (*Chairman*)
Mr. Li Yuzhong
Mr. Lam Wo Ping

Nomination committee

Mr. Lam Wo Ping (*Chairman*)
Ms. Long Xiaoning
Mr. Li Yuzhong

Strategy committee

Mr. Lam Wo Ping (*Chairman*)
Mr. Zhai Gang
Mr. Li Yuzhong

H Share Registrar

**Computershare Hong Kong Investor
Services Limited**
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal bankers

**Agricultural Bank of China Limited
Shishi Sub-branch**
No. 618, Jiu'er Road
Shishi City
Fujian Province
The PRC

**Bank of China Limited
Shishi Sub-branch**
Zhongyin Building
West Section of Baqi Road
Shishi City
Fujian Province
The PRC

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan, an Independent Third Party. We believe that the sources of the 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 information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan to conduct an analysis of the PRC footwear and menswear industries and other relevant economic data and to prepare the Frost & Sullivan Report. We have agreed to pay a fee of approximately RMB1,200,000 for the Frost & Sullivan Report, which we believe is in line with market rates. Our Directors are of the view that the payment of the fee does not affect the fairness of the conclusions drawn in the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm based in the United States with over 50 years of industry experience, and has over 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists worldwide.

The Frost & Sullivan Report includes both historical and forecast information on the PRC footwear market, the PRC menswear market and other relevant economic data. Frost & Sullivan undertook both primary and secondary independent research through various sources within the PRC footwear and menswear industries. Primary research involved interviewing leading industry participants in the PRC footwear and menswear industries and secondary research involved reviewing company reports, independent research reports and data from Frost & Sullivan's own research database. Projected data was obtained from historical data analysis plotted against macroeconomic data as well as specific industry-related drivers. In the preparation of the Frost & Sullivan Report, Frost & Sullivan used secondary research as an initial research platform. Detailed telephone and face-to-face interviews were conducted with various manufacturers and distributors as the key methodologies used by Frost & Sullivan for obtaining information and data for the preparation of the Frost & Sullivan Report. Revenue, production volume and sales volume of our Group set out in the Frost & Sullivan report are based on unaudited management records of our Group.

The projections in the Frost & Sullivan Report relating to the PRC footwear and menswear markets are based on the following general bases and assumptions:

- the PRC economy is likely to maintain steady growth in the next decade with ongoing urbanization;
- the PRC social, economic and political environment is likely to remain stable in the foreseeable future, which will provide for the stable and healthy development of the PRC footwear and menswear industries; and
- market drivers such as continuous growing per capita disposable income and purchasing power of Chinese residents, improving urbanization rate, consumers' increasing brand awareness, improving retail channels are likely to stimulate the Chinese footwear and menswear markets further in the forecast period.

INDUSTRY OVERVIEW

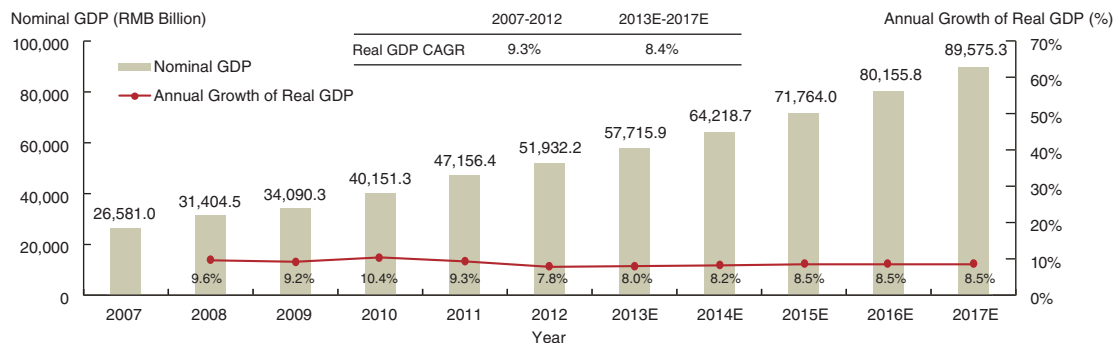
All statistics are based on information available as of the date of the Frost & Sullivan Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

RAPID GROWTH OF THE PRC ECONOMY, URBANIZATION AND INCREASING HOUSEHOLD INCOME

China's Economic Growth

China's economy has witnessed rapid growth since the economic reforms initiated by the PRC Government in the late 1970s. According to National Bureau of Statistics of China, China's nominal GDP grew from RMB26,581.0 billion in 2007 to RMB51,932.2 billion in 2012, representing a CAGR of 9.3% in terms of real GDP during the period. As a result of the global financial crisis originated in 2008, the growth rate of China's real GDP slowed down to 9.2% in 2009. However, it made a quick recovery in 2010 with a growth rate of 10.4%. According to Frost & Sullivan, China's nominal GDP is expected to further grow to RMB89,575.3 billion in 2017, representing a CAGR of 8.4% in terms of real GDP during the period from 2013 to 2017. The following chart illustrates the historical and projected growth of China's nominal GDP and real GDP growth from 2007 to 2017:

Nominal GDP and Real GDP Growth (China), 2007-2017E

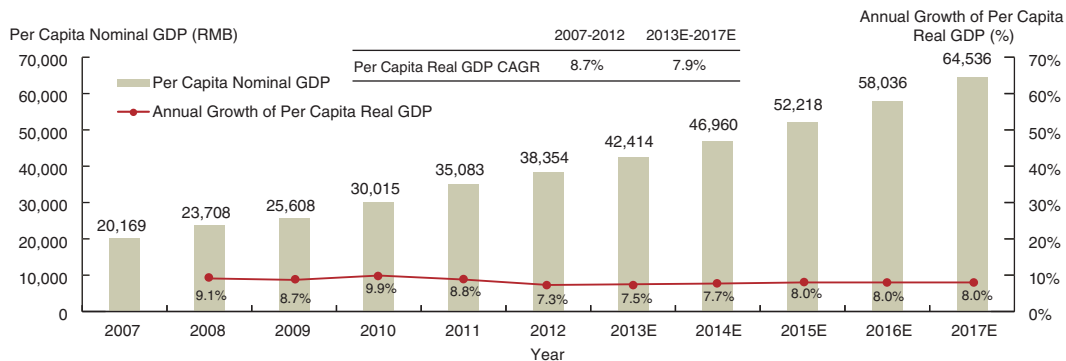


Source: National Bureau of Statistics of China; International Monetary Fund

INDUSTRY OVERVIEW

Along with strong GDP growth, China's nominal GDP per capita also experienced sustained growth, increasing from RMB20,169 in 2007 to RMB38,354 in 2012, representing a CAGR of 8.7% in terms of per capita real GDP. The International Monetary Fund forecasts China's per capita nominal GDP will reach RMB64,536 by 2017, with a CAGR of 7.9% in terms of per capita real GDP from 2013 to 2017. The following chart illustrates the historical and projected growth of China's nominal GDP per capita from 2007 to 2017:

Per Capita Nominal GDP and Real GDP Growth (China), 2007-2017E

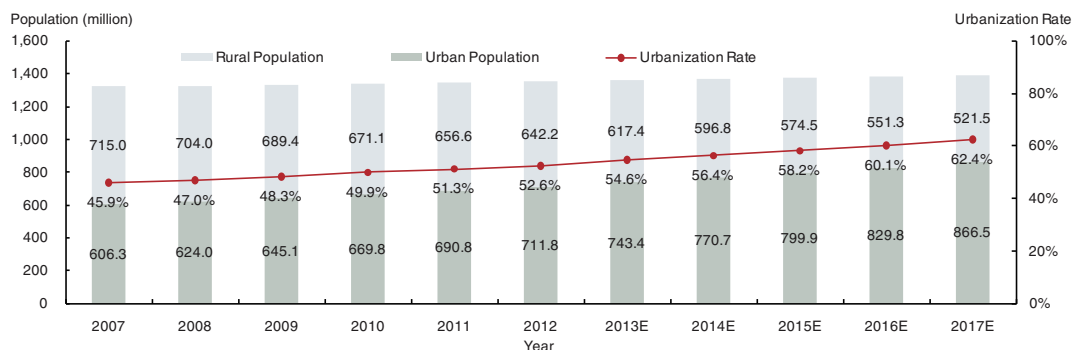


Source: National Bureau of Statistics of China; Frost & Sullivan

Accelerating Urbanisation Trend

Due to rapid economic development of the PRC and the influx of migrant workers from rural areas to developed cities, the PRC urban population has been increasing steadily. According to National Bureau of Statistics of China, the PRC urban population increased from approximately 606.3 million in 2007 to 711.8 million in 2012, representing a CAGR of 3.3%. Frost & Sullivan estimates that China's urban population is expected to maintain a CAGR of approximately 3.9% from 2013 to 2017 and reach approximately 866.5 million in 2017, with an urbanization rate of 62.4%. The following chart illustrates population growth and urbanization in China from 2007 to 2017:

Population and Urbanisation (China), 2007-2017E



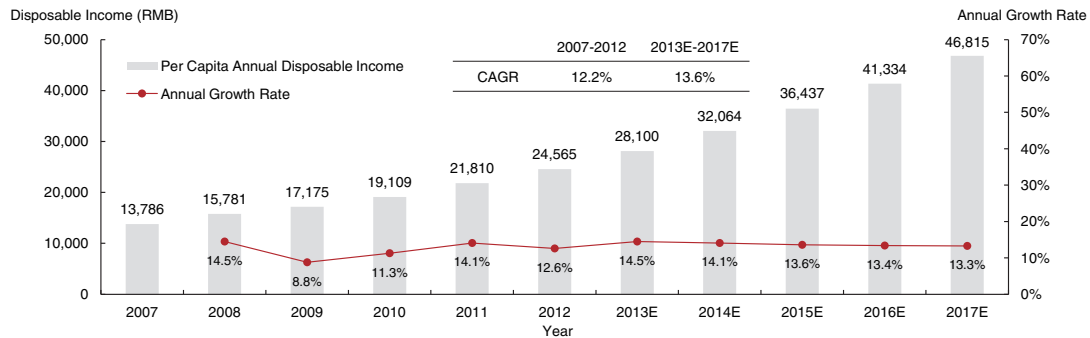
Source: National Bureau of Statistics of China, Frost and Sullivan

INDUSTRY OVERVIEW

Growth in Per Capita Disposable Income

Continuing growth in the PRC economy and urbanization has driven strong growth in per capita disposable income for urban households. The per capita disposable income for urban households in China increased from approximately RMB13,786 in 2007 to approximately RMB24,565 in 2012, representing a CAGR of 12.2%. According to Frost & Sullivan, the per capita disposable income of urban households are expected to continue to grow at a CAGR of 13.6% from 2013 to 2017. The following chart illustrates the per capita annual disposable income of urban households in China from 2007 to 2017:

Per Capita Annual Disposable Income of Urban Households (China), 2007-2017E

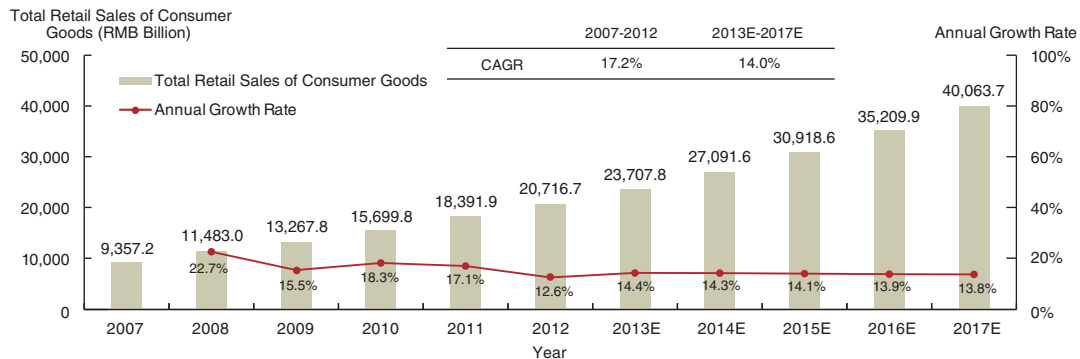


Source: National Bureau of Statistics of China, Frost & Sullivan

Strong Growth in the Retail Market

From 2007 to 2012, retail sales of consumer goods in the PRC experienced rapid growth as a result of the strong economic growth, accelerating urbanization and increasing purchasing power of urban households. Total retail sales of consumer goods in the PRC increased from RMB9,357.2 billion in 2007 to RMB20,716.7 billion in 2012, representing a CAGR of approximately 17.2%. According to Frost & Sullivan, the total value of retail sales of PRC consumer goods is projected to grow at a CAGR of 14.0% from 2013 to 2017 and is expected to reach RMB40,063.7 billion in 2017. The chart below sets out the historical and projected retail sales of consumer goods in the PRC from 2007 to 2017:

Total Retail Sales of Consumer Goods (China), 2007-2017E



Source: National Bureau of Statistics of China; Frost & Sullivan

INDUSTRY OVERVIEW

THE PRC FOOTWEAR MARKET

Market Segmentation of China's Footwear Market

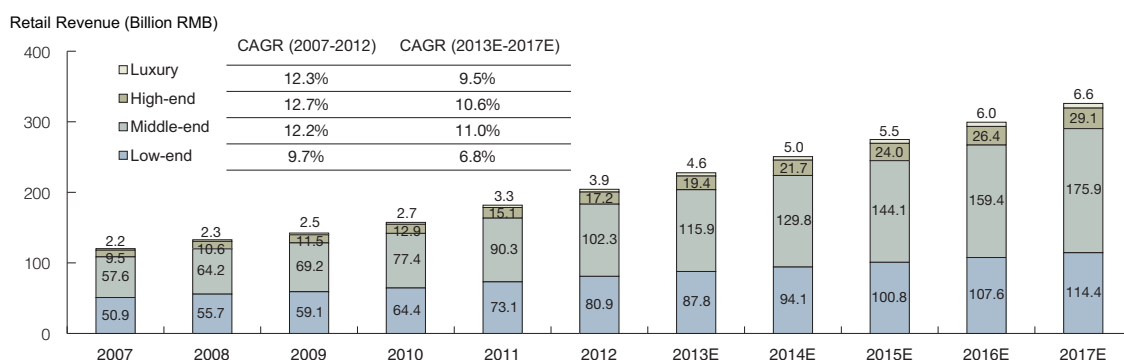
According to Frost & Sullivan, the PRC footwear market can be classified into three major categories: (i) sports footwear, which refers to the shoes specially designed and made for sports activities, including brands such as Nike and Adidas; (ii) men's and women's footwear, which refers to the footwear made to accompany menswear and women's dresses, excluding the above-mentioned sports footwear, including brands such as Belle, Aokang and Fuguiniao, among others; and (iii) children's shoes, which are shoes for children under the age of 15. Sports footwear, men's footwear, women's footwear and children's shoes accounted for 29.6%, 21.1%, 38.8% and 10.5% of the market share in terms of retail revenue for the year ended 31 December 2012, respectively.

In particular, men's and women's footwear can be further categorized into (i) formal footwear, which is the footwear wore on formal occasions, typically leather shoes dressed with suits for men and mid-heel shoes that cover both toes and heels for women (excluding boots and sandals); (ii) sports casual footwear, which refers to footwear attached with supplementary sports function or design, and wore for daily casual activities that are different from specialized sports footwear; and (iii) business casual footwear are shoes designed for social and informal business occasions, which are more casual than formal leather shoes. Men's business casual footwear products are typically casual style leather shoes, and unlike formal footwear, they do not need to have heels and generally have wider toe boxes. Women's business casual footwear consist of a wider range of products, including, among others, boots, sandals, flats, low heel shoes (less than 3 centimeters) and high heel shoes (more than 5 centimeters).

According to Frost & Sullivan, the men's and women's footwear market in the PRC can be divided into four tiers based on price range: low-end, middle-end, high-end and luxury. Low-end, middle-end, high-end and luxury footwear accounted for 39.6%, 50.1%, 8.4% and 1.9% of the market share in terms of retail revenue for the year ended 31 December 2012, respectively. The prices for these categories are as follows:

- low-end – less than RMB300 per pair;
- middle-end – between RMB300 and RMB1,000 per pair (RMB1,000 included);
- high-end – between RMB1,000 and RMB2,000 per pair (RMB2,000 included); and
- luxury – above RMB2,000 per pair.

As consumption levels have increased in recent years, demand for middle to high-end and even luxury footwear has steadily increased. The following table sets forth the breakdown of retail revenue of men's and women's footwear by price from 2007 to 2017.



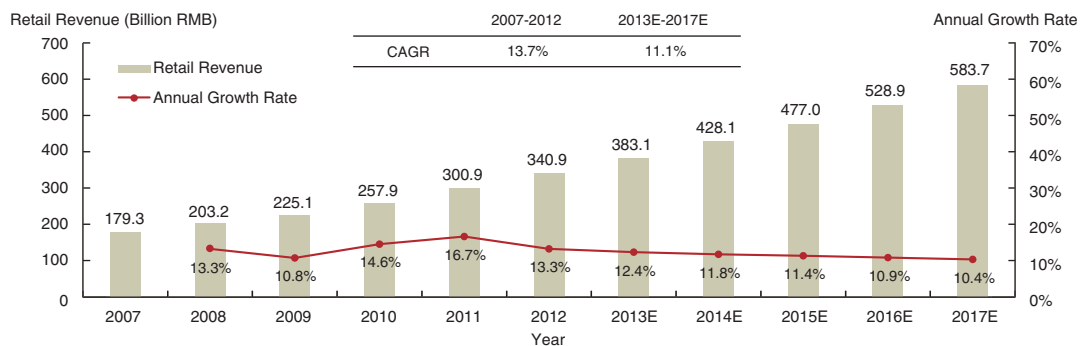
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Size and Growth of China's Footwear Market

The PRC footwear market expanded rapidly during the period between 2007 and 2012 and total revenue from footwear retail sales grew from RMB179.3 billion in 2007 to RMB340.9 billion in 2012, representing a CAGR of 13.7%. This was driven by robust consumer spending and strong demand from all tiers of cities. According to Frost & Sullivan, retail sales of footwear in the PRC are expected to increase even further between 2013 and 2017 and are estimated to reach approximately RMB583.7 billion in 2017, representing a CAGR of 11.1% during the period. The chart below illustrates the historical and projected retail sales of footwear in the PRC from 2007 to 2017:

Footwear Market Retail Revenue (China), 2007-2017E



Source: Frost & Sullivan

Furthermore, consistent with the increase in footwear consumption of urban consumers and rising urbanization, per capita footwear consumption in China has increased steadily from RMB135.7 in 2007 to RMB251.8 in 2012, representing a CAGR of 13.2%. With sustained economic growth and expected strong consumer spending, Frost & Sullivan estimates that per capita footwear consumption in China is likely to reach RMB420.9 by 2017, representing a CAGR of 10.6% from 2013 to 2017.

Key Market Drivers and Restraints

China's footwear market is impacted by the following factors: (i) the continued growth of per capita disposable income and purchasing power of the PRC residents; (ii) increasing urbanization rate; (iii) rising brand awareness among consumers and (iv) the improvement and diversification of retail sales channels. According to Frost & Sullivan, with the growth of per capita disposable income and purchasing power, per capital spending on footwear for urban households has also increased from RMB242.6 in 2007 to RMB402.7 in 2012 and is expected to sustain. Urban households are more sensitive to fashion and style and are more aware of footwear brands. As their purchasing power increases, consumers weigh more on brand, design and comfort. This stimulates consumer spending on more branded footwear. In addition, footwear is currently sold in almost all retail channels in China, including department stores, specialty stores, supermarkets and online retailers, among others. The improvement and diversification of modern retailers provides a significant boost to the growth of the footwear market as it helps brand owners to penetrate into Tier 2 and Tier 3 cities and rural areas.

INDUSTRY OVERVIEW

Frost & Sullivan expects that branded footwear manufacturers such as Belle International and us are likely to benefit from the overall growth of the PRC footwear market.

The growth of China's footwear market is also affected by several key market constraints, such as increasing labor costs and raw material prices, restricted innovative capabilities of local brands, potential capacity surplus for non-branded manufacturers and slow reaction to changing market trends. Footwear manufacturing is a labor intensive industry. According to Frost & Sullivan, China's labor cost has gradually increased in recent years as minimum wages in general have increased along with the price of raw materials. While branded footwear manufacturers have already established substantial development capabilities, other local PRC footwear manufacturers in general lack innovative design and efficient production capability. According to Frost & Sullivan, total production capacity in China for footwear making amounts to around 17.0 billion pairs, with annual production of around 14.0 billion in 2012, and a utilisation rate of approximately 80%. Large overseas and domestic demand of footwear has brought capacity expansion in recent years, and if the rapid increase of capacity maintains, there could be potential risks of over capacity. However, as branded footwear manufacturers usually have better performance, brand reputation and strong sales channels, the risks mostly will pose threats to small and medium footwear producers with no self-owned brands, and has less impact for branded manufacturers. Furthermore, to maintain competitiveness, footwear manufacturers must react quickly to market changes and take measures to implement effective product design, manufacturing and sales strategies. This requires a comprehensive information management system, which, according to Frost & Sullivan, is currently insufficient in the PRC footwear market.

Key Barriers to Entry

The major barriers to entry for new entrants to the PRC footwear market include a lack of brand recognition, inferior design capabilities, inadequate distribution channels and limited product and brand offerings. In general, according to Frost & Sullivan, well-branded companies possess superior brand position, product quality, design, technology, management and after-sales services, which allow them to maintain and expand their consumer base. These advantages make it difficult for new market entrants to compete with already established brands. Advanced design capability and technology are crucial to ensure quality and comfort of the footwear products and maintain competitiveness in the fast changing retail sector. A wide and well-balanced sales network is a key factor in capturing market share, attracting targeted customers and increasing brand awareness. Large and established footwear brands can often utilise multi-brand strategies to segmentize the market by price, style and consumer age, among others, in order to meet the various demands from a wider range of consumers.

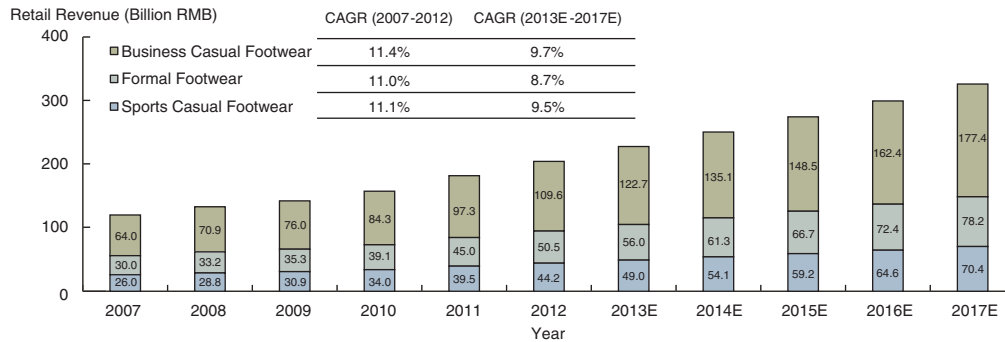
Men's and Women's Footwear Market

According to Frost & Sullivan, formal footwear, business casual footwear and sports casual footwear accounted for 24.7%, 53.7% and 21.6%, respectively of the total revenue for the men's and women's footwear industry in 2012. The rapid growth of the PRC economy has made a significant contribution to the growing commercial activities in all aspects of consumer life, including the consumption of formal footwear and business casual footwear. According to Frost & Sullivan, the retail revenue for business casual footwear in particular is likely to increase. It estimates business casual footwear will further increase from RMB122.7 billion in 2013 to RMB177.4 billion in 2017, representing a CAGR of 9.7%, which is faster than that of formal footwear and sports casual footwear. The following chart

INDUSTRY OVERVIEW

illustrates the historical and projected revenue breakdown of men's and women's footwear in terms of category from 2007 and 2017:

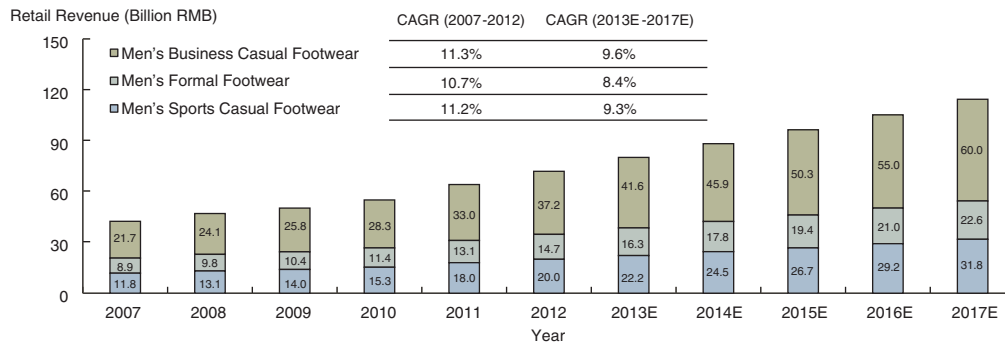
Retail Revenue of Men's and Women's Footwear Breakdown by Category (China), 2007-2017



Source: Frost & Sullivan

According to Frost & Sullivan, the influence of a business casual culture from the Europe and the U.S. has led Chinese male consumers to focus more on business casual activities, and as a result, increase their spending on men's business casual footwear. Frost & Sullivan estimates that the retail revenue of men's business casual footwear is likely to increase from RMB41.6 billion in 2013 to RMB60.0 billion in 2017, representing a CAGR of 9.6%, outperforming men's formal footwear and men's sports casual footwear.

Retail Revenue of Men's Footwear Breakdown by Category (China), 2007-2017

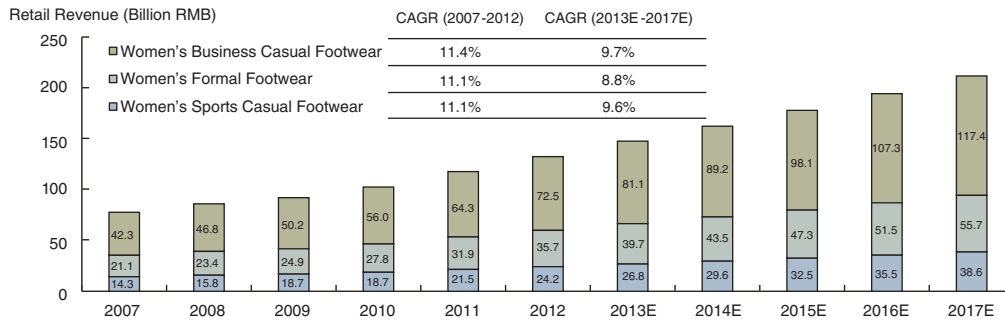


Source: Frost & Sullivan

According to Frost & Sullivan, women's footwear can be categorised into women's formal footwear, women's business casual footwear and women's sports casual footwear, which accounted for 27.0%, 54.8% and 18.2%, respectively, of the total women's footwear in terms of retail revenue for the year ended 31 December 2012. PRC female consumers, who have been gradually influenced by the business casual cultures from Europe and the U.S., have increased the expenditure on women's business casual footwear. According to Frost & Sullivan, the retail revenue of women's business casual footwear is likely to increase from RMB81.1 billion in 2013 to RMB117.4 billion in 2017, representing a CAGR of 9.7%, which will be faster than the increase in women's formal footwear and women's sports casual footwear markets.

INDUSTRY OVERVIEW

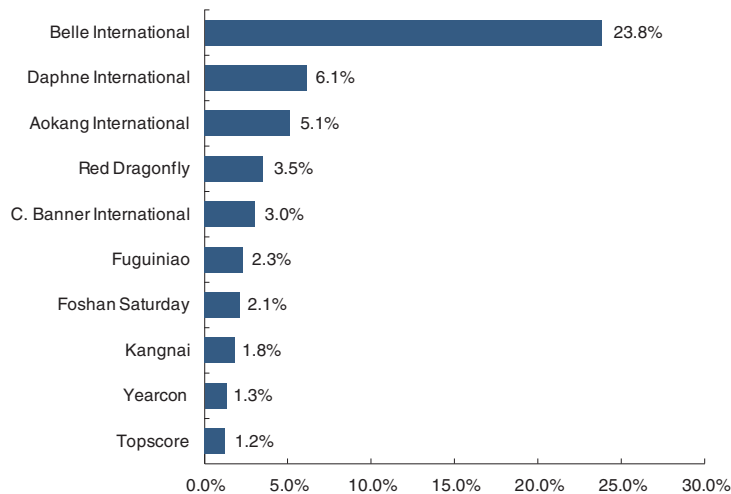
Retail Revenue of Women's Footwear Breakdown by Category (China), 2007-2017



Competitive Landscape

The PRC footwear market is fragmented. According to Frost & Sullivan, in 2012, the top ten men's and women's footwear companies had total retail revenue of approximately RMB52.8 billion, representing approximately 50.2% of the total market for branded footwear. However, among them, only Belle International enjoyed a market share larger than 10%. In 2012, we ranked sixth in the PRC branded footwear market in terms of retail revenue with a market share of 2.3%. The following chart illustrates the market share by retail revenue in the footwear market by brands in 2012:

Top 10 Footwear Companies' Market Share in Branded Footwear Market (China), 2012

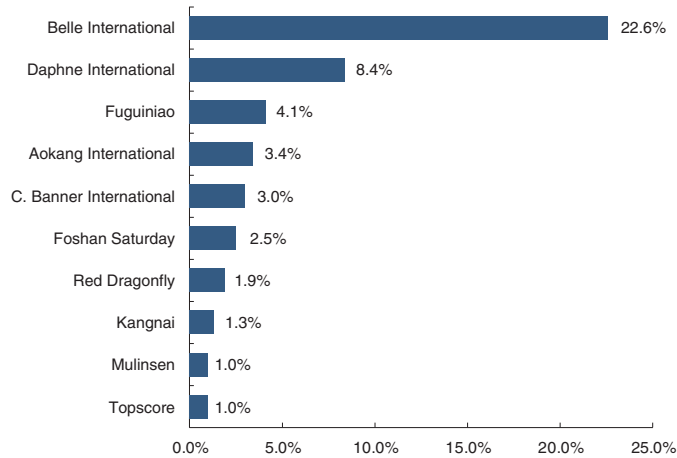


Source: Frost & Sullivan

INDUSTRY OVERVIEW

With respect to business casual footwear market, in 2012, the top ten manufacturers had total retail revenue of RMB24.3 billion, representing 49.3% of the total revenue for the branded business casual footwear market. Our business casual footwear products generated retail revenue of RMB2,004.5 million in 2012 and were ranked third with a market share of 4.1%. The following chart illustrates the market share by retail revenue in the business casual footwear market by brands in 2012:

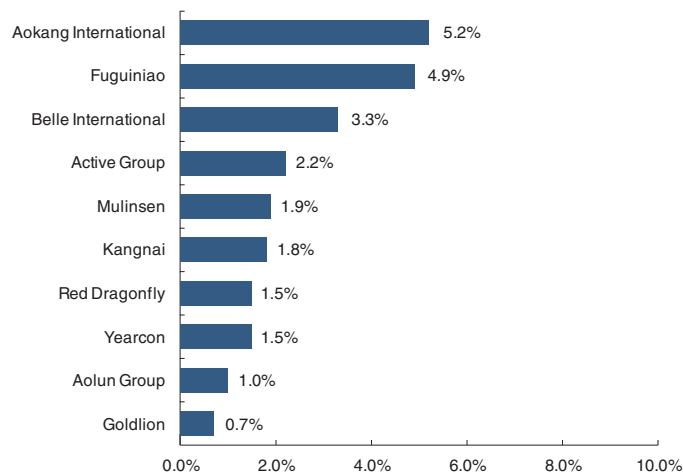
**Top 10 Business Casual Footwear Companies' Market Share
in Branded Business Casual Footwear Market (China), 2012**



Source: Frost & Sullivan

With respect to men's business casual footwear, in 2012, the top ten manufacturers had total retail revenue of RMB4.0 billion, representing 24.0% of the total revenue for the branded men's business casual footwear market. Our men's business casual footwear products generated retail revenue of RMB814.9 million in 2012 and we ranked second with a market share of 4.9%. The following chart illustrates the market share by retail revenue in the men's business casual footwear market by brands in 2012:

**Top 10 Men's Business Casual Footwear Companies' Market Share
in Branded Mens' Business Casual Footwear Market (China), 2012**



INDUSTRY OVERVIEW

Compared with our major competitors in the men's and women's formal, business casual and sports casual footwear segments, our footwear products are generally priced middle to high end. In formal and business casual footwear segments, we mainly target working and professional class of consumers who pursue higher quality of life. Our target customers are younger and fashionable consumers in sports casual footwear segment. As we use genuine leather as a key raw material, we believe our footwear products are of good quality. In terms of the size of our operations, we are one of the leading companies in business casual footwear segment, with a retail sales of RMB2,004.5 million. In addition, we are considered to be a mid- to large-sized company in the formal and sports casual footwear segments compared to our competitors. We focus on, and are strong in, branded business casual footwear market and ranked as the third largest manufacturer in the PRC with a market share of 4.1% in terms of retail revenue for the year ended 31 December 2012. In branded formal and sports casual sectors, which are not our key markets, we had 1.0% and 0.4% market share, respectively, in terms of retail revenue for the year ended 31 December 2012.

Our Key Competitive Advantages

According to Frost & Sullivan, the key advantages of our Fuguiniao brand comparing to our competitors include:

- *Excellent design, quality and comfort for our Fuguiniao branded footwear.* We focus on quality and design as a priority. To further improve the quality of our products and enhance our research and development capabilities, we established an R&D center in Dongguan in March, 2012;
- *Leading business casual footwear brand in China.* We achieved substantial market share in the business casual footwear segment as we ranked third in this segment behind Belle International and Daphne International; and
- *Strong brand awareness leads to penetration in the men's business casual wear market.* The men's business casual wear market has tremendous potential with over RMB100 billion in retail revenue in 2012. We have gradually penetrated the men's business casual wear segment by leveraging our experience and brand awareness of our business casual footwear.

Sales Channel Analysis

Currently, PRC footwear products are sold in almost all retail channels in China, including department stores, specialty stores, supermarkets and online retailers, among others. Department stores were by far the largest retail revenue contributor in 2012 with 41.5% of the market share. This is primarily due to branded footwear companies focusing more on establishing counters and shop-in-shops in department stores for brand marketing and product promotion. Specialty stores were the second largest revenue source in 2012 with 29.0% of the market share, which were widely found in large and small cities, particularly Tier 3 cities. Supermarkets and online stores make up approximately 17.8% of the market share in terms of revenue in 2012, followed by others at 11.7%.

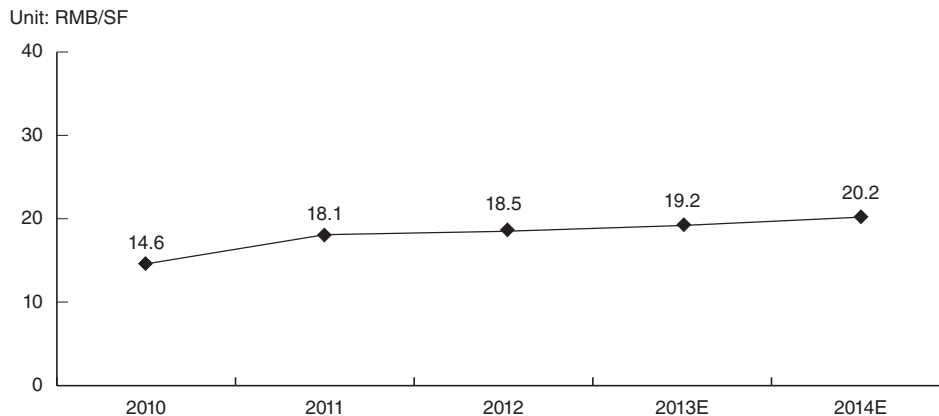
Historical and Expected Trend of the Market Prices of the Key Raw Materials

According to Frost & Sullivan, apart from PU leather for low end footwear making, natural leather is the main raw material for footwear production. Amongst natural leather, yellow cattle leather contributed most for its smooth and soft surface. Normally, branded footwear manufacturers choose yellow cattle top leather as their key raw materials due to its great quality.

INDUSTRY OVERVIEW

From 2010 to 2012, the industry average price of yellow cattle top leather increased from RMB14.6 per square feet in 2010 to RMB18.5 per square feet in 2012 due to reasons like increasing downstream demand, growing labor costs, inflation, higher waste treatment costs, etc. Frost & Sullivan expects that the price of yellow cattle top leather is likely to increase with a CAGR of around 4.0 to 5.0 percent to the year 2014. The following chart illustrates the historical and expected trend of the market prices of the key raw materials for footwear:

Domestic Market Price of Yellow Cattle Leather, 2010-2014



Note: The prices are tax excluded

Source: Frost & Sullivan

THE PRC MENSWEAR INDUSTRY

Menswear Market Segments

According to Frost & Sullivan, the PRC menswear market can be classified into four major categories: (i) formal wear (clothing suitable for formal social occasions such as weddings, formal dinners or business meetings); (ii) business casual wear (clothing designed for business occasions and workplaces but look more casual than formal wear); (iii) fashion casual wear, developed for casual and non-formal occasions, combining brand-specific styles with latest fashion design); and (iv) other menswear (includes wholesale casual wear, outdoor clothing, denim wear and accessories). Formal menswear, business casual menswear, fashion casual menswear and other menswear accounted for 31.4%, 31.1%, 16.5% and 21.0% of the market share in terms of retail revenue for the year ended 31 December 2012, respectively.

According to Frost & Sullivan, menswear market in the PRC can be divided into four tiers based on price range: low end, middle end, high end and luxury. Low end, middle end, high end and luxury menswear accounted for 39.1%, 43.0%, 7.3% and 10.6% of the market share in terms of retail revenue for the year ended 31 December 2012, respectively. The prices for these categories are as follows:

- low-end – price of suits per set is less than RMB2,000 while one piece of other types of menswear is priced less than RMB500;
- middle-end – price of suits per set is between RMB2,000 and RMB5,000 (RMB5,000 included); one piece of other types of menswear is priced between RMB500 and RMB2,000 (RMB2,000 included);

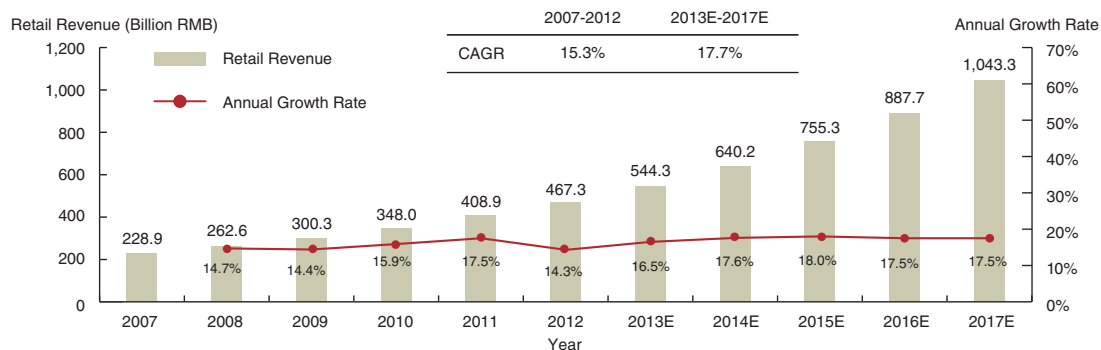
INDUSTRY OVERVIEW

- high-end – price of suits per set is between RMB5,000 and RMB15,000 (RMB15,000 included); one piece of other types of menswear is priced between RMB2,000 and RMB5,000 (RMB5,000 included); and
- luxury – price of suits per set is above RMB15,000; one piece of other types of menswear is priced above RMB5,000.

Size of and Growth in China's Menswear Market

According to Frost & Sullivan, retail revenue of the PRC menswear market increased rapidly from RMB228.9 billion in 2007 to RMB467.3 billion in 2012, representing a CAGR of approximately 15.3%. Frost & Sullivan projects that retail sales of the PRC menswear market will reach approximately RMB1,043.3 billion in 2017, growing at a CAGR of approximately 17.7% during the period from 2013 to 2017. The following chart illustrates the historical and projected market size of the PRC menswear market in terms of retail revenue from 2007 to 2017.

Retail Revenue of Menswear Market (China), 2007-2017E



Source: Frost & Sullivan

The strong growth of the PRC menswear sector over the period from 2007 to 2012 was primarily due to rapid growth of the PRC economy, increasing purchasing power of urban households, which resulted in the increasing per capita spending on menswear during the period.

Key Market Drivers and Restraints

As a result of the growth of China's economy, the per capita annual disposable income for urban households increased rapidly during the period from 2007 to 2012, resulting in increased per capita consumption on menswear from RMB417.4 to RMB821.6 during the same period. In addition, as their purchasing power increased, consumers tended to focus more on quality, fashionable design and brand reputation. This stimulated branded menswear manufacturers to improve material selection, design and production in order to meet consumers' demands. According to Frost & Sullivan, as more international branded menswear companies enter into the PRC market, in particular the high-end and luxury segments, large domestic branded menswear manufacturers have responded to such competition by improving product quality enhancing design innovation and strengthening sales distribution.

INDUSTRY OVERVIEW

According to Frost & Sullivan, the growth of China's menswear market is constrained by several key factors, such as competition from countries with lower labor cost, increasing raw material prices and product homogeneity. According to Frost & Sullivan, China's labor cost has gradually increased in recent years along with the price of raw materials. Unlike international brands, which enjoy distinguished brand image, core innovative capabilities and unique designs, and are able to offer differentiated products to consumers, large domestic menswear manufacturers have not completely updated their product lines to eliminate product homogeneity, thereby reducing competitiveness against established international brands.

Key Barriers to Entry

The major barriers to entry for new entrants in the PRC menswear market include (i) product quality, design and raw materials; (ii) well-established brands; (iii) management of distributors and sales terminals and (iv) initial cost. According to Frost & Sullivan, as PRC consumers are increasingly paying more attention to apparel product quality, design and materials. In the luxury, high-end and middle-end sectors, well-branded manufacturers generally enjoy a competitive edge over smaller domestic producers in terms of stable consumer base and sales channel dominance. In addition, while initial cost of production facilities, raw materials and land for manufacturing sites is relatively low, new market entrants nevertheless must incur additional spending on promotion and advertisement in order to gain brand recognition and market share.

Great Potential of Business Casual Menswear

With increasing brand recognition on business casual menswear from consumers and continuous marketing efforts from men's business casual companies, business casual sector has shown the fastest growth rate among formal wear, business casual wear, fashion wear and other menswear. In 2012, this segment took 31.1% market share of total menswear market. With the penetration of business casual style and attitude, share of this sector is likely to increase in the following years. Frost & Sullivan estimates that in 2017, the business casual segment is likely to gain nearly 37.0% of the market share. Business casual menswear brands such as Lilanz and Fuguiniao are expected to benefit from the growing trend.

Sales Channel Analysis

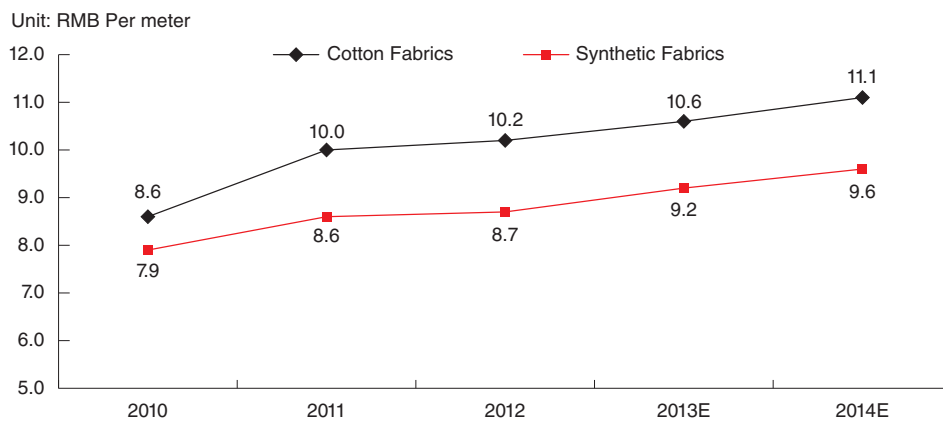
Currently, PRC menswear products are sold in department stores, speciality stores, supermarkets, online retailers and wholesale markets, among others. Specialty stores were the largest retail revenue contributor in 2012 with 41.2% of the market share mainly because specialty stores were widely deployed in large to lower-tier cities where department stores were unable to reach. Department stores were the second largest revenue contributor in 2012 with 32.6% of the market share because they were the most commonly adopted sales terminal for middle- and high-end brands, followed by online stores at 12.0%, hyper market/supermarket at 9.0%, wholesale market at 4.0% and others at 1.2%.

INDUSTRY OVERVIEW

Historical and Expected Trend of the Market Prices of the Key Raw Materials

According to Frost & Sullivan, key raw materials for menswear include cotton and synthetic fabrics. From 2010 to 2012, the average price of cotton and synthetic fabrics each increased from RMB8.6 per meter and RMB7.9 per meter to RMB10.2 per meter and RMB8.7 per meter, respectively. For similar reasons as leather, the price of cotton and synthetic fabrics is likely to increase around 5.0 percent annually from 2012 to 2014. The following chart illustrates the historical and expected trend of the market prices of the key raw materials for menswear:

**Cotton and Synthetic Fabrics Market:
Historical and Forecast Price Trends (the PRC), 2010-2014**



Note: The prices are tax excluded

Source: Frost & Sullivan

CONSUMER BEHAVIOR AND BRAND AWARENESS

In May 2013, we commissioned Frost & Sullivan to conduct street interceptions and pen-and-paper interviews (collectively, the “**Interviews**”) with 2,400 respondents in the PRC who are either our target consumers or potential consumers, who are both purchase decision makers of footwear. In terms of brand awareness, Fuguiniao ranks third behind Aokang and Daphne in terms of top-of-mind awareness. In particular, Fuguiniao men’s footwear and women’s footwear ranks second (behind Aokang) and fourth (behind Daphne, Belle and Red Dragonfly), respectively, in terms of top-of-mind awareness. In terms of brand loyalty, Fuguiniao is also one of the leading footwear brands in the PRC, ranking fourth behind Daphne, Aokang and Red Dragonfly as the most often purchased footwear with 9.5% market share among all respondents surveyed. In addition, according to the survey, consumers consider wear-comfort and good quality as the most important buying factors with respect to both men’s and women’s footwear purchases, as more than 60% of the respondents mentioned these two factors during the survey.

REGULATIONS

INTRODUCTION

This section sets forth a summary of the most significant laws and regulations that affect our business in the PRC. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

PRINCIPAL REGULATORY AUTHORITIES

In the PRC, NDRC, MOFCOM and the branches of the aforesaid authorities are the competent administrative departments in charge of the apparel and footwear industry. They are responsible for, among other things, making industrial policies, supervising and inspecting the implementation of industrial policies, guiding adjustment of industrial structure, implementation of industry management, reforming industry structure, improving technology, and quality management.

LAWS AND REGULATIONS IN RELATION TO FOREIGN INVESTMENT IN THE PRC

Pursuant to Provisions on Guiding the Orientation of Foreign Investment (指導外商投資方向規定) promulgated by the State Council on 11 February 2002, the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) is the basis of the application of relevant policies in examining and approving foreign investment projects and foreign-invested enterprises. The Foreign Investment Industrial Guidance Catalogue sets out “encouraged”, “restricted” and “prohibited” categories for all foreign investment projects in the PRC. For the projects which do not fall into the categories of encouraged, restricted or prohibited projects shall be deemed as permitted foreign investment projects. Pursuant to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) (2011 Revision) issued on 24 December 2011 by NDRC and MOFCOM, and became effective as at 30 January 2012, the business engaged by our group does not fall into the “restricted” or “prohibited” categories.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

The PRC government has implemented various environmental protection laws and regulations, including the PRC Environmental Protection Law (中華人民共和國環境保護法), the Law of the PRC on Environmental Impact Assessment (中華人民共和國環境影響評價法), the Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), the Law of the PRC on Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法), the Law of the PRC on Prevention and Control of Environment Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法), the Law of the PRC on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) and Regulations on the Administration of Environmental Protection of Project Construction (建設項目環境保護管理條例), etc.

Pursuant to PRC environmental laws and regulations, the PRC has established an environmental impact assessment system for project construction, and the construction, expansion and operation of bedding products manufacturing facilities are subject to the advance approval and acceptance of the completed environmental protection facility from the competent PRC environmental authorities. For failure to obtain the advance approval and acceptance of the completed environmental protection facility, the enterprise may be ordered to cease the construction or operation of facilities, or make repairs within the time limit or be fined by the competent PRC environmental authorities.

The relevant PRC environmental protection laws also impose fees for discharge of waste substances, and impose fines and indemnity for the improper discharge of waste substances and serious environmental pollution. The PRC environmental authority may, at its discretion, shut down any facility that fails to comply with the environmental protection laws and regulations.

REGULATIONS

LAWS AND REGULATIONS IN RELATION TO LABOUR AND SOCIAL SECURITY

Enterprises are mainly subject to the following PRC labour laws and regulations: the PRC Labour Law (中華人民共和國勞動法), the PRC Labour Contract Law (中華人民共和國勞動合同法), the PRC Social Insurance Law (中華人民共和國社會保險法), the Regulations of Insurance for Employment Injury (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Provisional Measures on Insurance for Maternity of Employees (企業職工生育保險試行辦法), the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), the Interim Regulations on the Collection of Social Insurance Premium (社會保險費徵繳暫行條例), Regulations on Management of Housing Provident Fund (住房公積金管理條例) and other relevant regulations, rules and circulars issued by the competent governmental authorities.

Pursuant to the PRC Labour Law (中華人民共和國勞動法) and the PRC Labour Contract Law (中華人民共和國勞動合同法), when an employer hires an employee, they shall sign a written labour contract, and the employees' salary shall not be lower than the local minimum wage. The company must establish a system for labour safety and sanitation, strictly abide by the state standards, and provide relevant education and training to its employees. Employees are also entitled to work in safe and sanitary conditions conforming to the relevant rules and standards. Employers shall offer regular health examinations for employees engaging in hazardous occupations.

As required under the PRC Social Insurance Law (中華人民共和國社會保險法), the Regulations of Insurance for Employment Injury (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Provisional Measures on Insurance for Maternity of Employees (企業職工生育保險試行辦法), the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), the Interim Regulations on the Collection of Social Insurance Premium (社會保險費徵繳暫行條例), the PRC enterprise is obligated to provide employees in the PRC with social security covering pension insurance, unemployment insurance, maternity insurance, employment injury insurance and medical insurance.

In accordance with the Regulations on Management of Housing Provident Fund (住房公積金管理條例) promulgated on 3 April 1999 and amended on 24 March 2002, enterprises must register with the relevant Housing Provident Fund Management Center, open a special housing provident fund account at a commissioned bank and pay housing provident fund contributions for their employees. In addition, for both employees and employers, the payment rate for housing provident fund shall not be less than 5% of the average monthly salary of the employees in the previous year. The payment rate may be raised if the employer desires.

Pursuant to the PRC Social Insurance Law (中華人民共和國社會保險法), the government will establish and improve the new type of rural social pension insurance system. The new type of rural social pension insurance combines individual contribution, collective subsidy and governmental subsidy, and its benefits include basic pensions and pensions deposited in individual accounts. Rural residents, who have participated in the new type of rural social pension insurance, may receive the new rural social pension insurance benefits on a monthly basis, if the requirements from the government are met. Based on actual conditions in different places, the people's government at the provincial, autonomous region and municipal level may implement the social pension insurance for urban residents and the new type of rural social pension insurance jointly. In addition, the government will establish and improve the new rural cooperative health care system, and the administrative measures thereof will be formulated by the State Council.

REGULATIONS

LAWS AND REGULATIONS IN RELATION TO PRODUCTION SAFETY

Pursuant to the PRC Production Safety Law (中華人民共和國安全生產法) which was promulgated on 29 June 2002 and amended on 27 August 2009, the State Administration of Work Safety is in charge of the overall administration of production safety. The PRC Production Safety Law provides that any entity engaging in manufacturing must meet national or industry standards regarding safety production and provide qualified working conditions required by laws, administrative rules and national or industry standards. The entity engaging in manufacturing must install prominent warning signs at or on the relevant dangerous operation site, facility and equipment. The design, production, installation, use, testing, maintenance, upgrade and disposal of safety equipment must comply with national and industry standards.

LAWS AND REGULATIONS IN RELATION TO PRODUCT LIABILITY

Pursuant to the General Principles of the Civil Law of the PRC (中華人民共和國民法通則), promulgated on 12 April 1986 and amended on 27 August 2009, a defective product which causes property damage or physical injury to any person could subject the manufacturer or seller of such product to civil liability for such damage or injury. In the event that the carrier or warehouseman is responsible for the damage or injury, the manufacturer or seller is entitled to demand compensation for its losses.

Furthermore, the General Principles of the Civil Laws of the PRC was supplemented by the Product Quality Law of the PRC (中華人民共和國產品質量法) promulgated on 22 February 1993 and amended on 8 July 2000 and 27 August 2009 respectively, and the Law of the PRC on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法) promulgated on 31 October 1993 and amended on 27 August 2009 to protect the legitimate rights and interests of end-users and strengthen the supervision and control of the quality of products. If the product sold is sub-standard but not defective, the retailer will be responsible for the repair, exchange, or refund of the sub-standard product and for the compensation to the consumer for its losses (if any). In addition, the manufacturer is liable for the sub-standard product. The retailer is entitled to claim reimbursement from the manufacturer for the compensation paid by the retailer to the consumer. If the product is defective and has caused personal injury or damage to assets, the consumer has the option to claim compensation from either the manufacturer, or the distributor or the retailer. A retailer or distributor who has already compensated the consumer is entitled to claim reimbursement from the liable manufacturer.

Moreover, the Tort Law of the PRC (中華人民共和國侵權責任法) promulgated on 26 December 2009 and effective on 1 July 2010, further provides that where a defective product causes damage or physical injury to any person, the victim may claim compensation from either the manufacturer or the seller. If the defect of the product is caused by the manufacturer and the seller has made the compensation for the defect, the retailer shall be entitled to claim reimbursement from the manufacturer. If the product defect is caused by the fault of the seller and the manufacturer has made the compensation for the defect, the manufacturer shall be entitled to claim reimbursement from the seller.

In accordance with the Insurance Law of the People's Republic of China, Insurance refers to a commercial insurance transaction whereby an insurance applicant, as contracted, pays insurance premiums to the insurer, and the insurer bears an obligation to indemnify him for property loss or damage caused by the happening of a contingent event that is agreed upon in the contract, or to pay the insurance benefits when the insured person dies, is injured or disabled, suffers illness or reaches the age or time-limit agreed upon in the contract.

REGULATIONS

Insurance companies and other entities shall not constrain others to enter into insurance contracts, except for such insurances as have been made compulsory by laws and administrative rules and regulations.

LAWS AND REGULATIONS IN RELATION TO INTELLECTUAL PROPERTY

Trademark Law

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) promulgated on 23 August 1982 and amended on 27 October 2001, the right to exclusive use of a registered trademark shall be limited to the trademark which has been registered and to commodities on which the use of a trademark has been approved. The period of validity of a registered trademark shall be ten years commencing from the day the registration is approved. If a registrant needs to continue to use the registered trademark after the period of validity, an application for renewal of registration shall be made within six months before the expiration.

The period of validity for each renewal of registration shall be ten years. Any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark: (a) using a trademark which is identical or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of the registered trademark; (b) selling commodities that infringe upon the right to exclusive use of a registered trademark; (c) forging, manufacturing without authorisation, or selling a registered trademark forged or manufactured without authorisation; (d) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; and (e) causing other damage to the right to exclusive use of a holder of a registered trademark.

Where a dispute arises from infringing upon the exclusive rights of the registrant of a registered trademark, the parties involved shall settle the dispute through negotiation. If any party refuses to negotiate or the negotiation has failed, the registrant of the registered trademark or the interested parties may bring a suit before a people's court or request the Administration for Industry and Commerce to handle the issue.

The registrant of a registered trademark may license others to use its registered trademark through the trademark license agreement. The licensor shall supervise the quality of the goods in respect of which the licensee uses his registered trademark, and the licensee shall assure the quality of the goods in respect of which he uses the registered trademark. Where the registered trademark is licensed, the name of the licensee and manufacturing location shall be indicated on the product with the licensed registered trademark. The trademark license agreement shall be filed with the State Trademark Office for record.

Patent Law

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) promulgated on 12 March 1984 and amended on 27 December 2008, patent protection is divided into three categories: invention patent, utility model patent and design patent. Specifically, "invention patent" refers to new technical solutions for a product, method or its improvement; "utility model patent" refers to new technical solutions for a product's shape, structure or the combination of both shape and structure, which are applicable for practical use; "design patent" refers to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the colour, the shape and pattern of a product with aesthetic feeling and industrial application value.

REGULATIONS

Invention patent

Products seeking invention patent protection must possess novel and innovative characteristics, and the grant of an invention patent is subject to disclosure and publication.

After receiving an application for invention patent, if the SIPO finds, upon preliminary examination, that the application is in conformity with the requirements of Patent Law of the PRC, it will publish the application after 18 months from the date of application. Upon the request of the applicant, SIPO may publish the application earlier. Upon the request of the invention patent applicant made at any time within three years from the date of application, the patent administrative department under the State Council may make a substantive examination of the application. If, after the substantive examination, no reason is found to reject the patent invention application, the patent administrative department under the State Council shall grant a patent for the invention, issue an invention patent certificate, register and announce it. The protection period on the invention patent shall be 20 years from the date of application.

Once an invention patent is granted, unless otherwise described by laws, no individuals or entities are permitted to engage in the manufacture, use or import of the products protected by such patent or otherwise engage in the manufacture, use, sale or import of the products directly derived from applying the production skills or methods protected by such patent without consent of the patent holder.

Utility model patent

Products seeking utility model patent protection must possess both novel and innovative characteristics. Utility model patents will be granted and registered upon application unless there are reasons for SIPO to reject the application after preliminary review. Utility model patents are also subject to disclosure and publication upon application. The protection period for a utility model patent is ten years from the date of application.

Once a utility model patent is granted, unless otherwise described by laws, no individuals or entities are permitted to engage in the manufacture, use or import of the products protected by such patent or otherwise engage in the manufacture, use, sale or import of the products directly derived from applying the production skills or methods protected by such patent without consent of the patent holder.

Design patent

The products seeking design patent protection must not (i) be the same as or similar to those previously known domestically or abroad, or (ii) infringe upon a third party's legal rights. The application procedure and protection period are the same as utility model patents. The protection period for a design patent is ten years from the date of application.

Once a design patent is granted, without the consent of the patent holder, no individuals or entities are permitted to engage in the manufacture, use or import of the products protected by such patent for the purposes of production and business.

REGULATIONS

LAW AND REGULATIONS IN RELATION TO ANTI-UNFAIR COMPETITION

Pursuant to the Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法) promulgated on 2 September 1993, when trading on the market, operators shall abide by the principles of voluntariness, equality, fairness, honesty and good faith, and observe generally recognised business ethics. Acts of operators which contravene the provisions of the Anti-Unfair Competition Law of the PRC, which damage the legitimate rights and interests of other operators, and disrupt the socio-economic order, shall constitute unfair competition.

In accordance with the Anti-Unfair Competition Law of the PRC, operators shall not use the following unfair methods in their business transactions which can damage other competitors: (a) to counterfeit the registered trademark of others; (b) to use the specific name, package, decoration of the well-known commodities, or use a similar name, package, decoration of the well-known commodities, which may confuse consumers distinguishing the commodities to the well-known commodities; (c) to use the name of other enterprises or person and make people confuse its commodities to the other's commodities; (d) to counterfeit or falsely use authentication marks, famous-and-excellent-product mark or other product marks, to use the name and address of a factory of another producer, to provide misleading information on the quality of products.

Where an operator commits unfair competition in contravention of the provisions of the Anti-Unfair Competition Law of the PRC and causes damage to another operator, it or he/she shall bear the responsibility for compensation. Where the losses suffered by the injured operator are difficult to calculate, the amount of damages shall be the profit gained by the infringer during the period of infringement by virtue of the infringing act. The infringer shall also bear all reasonable costs paid by the injured operator in investigating the acts of unfair competition committed by the operator suspected of infringing its or his legitimate rights and interests. Where the legitimate rights and interests of an operator are damaged by the acts of unfair competition, the injured operator may institute proceeding in a people's court.

Where an operator uses the same or similar name, package or decoration as those of well-known commodities, which may confuse consumers in distinguishing the operator's commodities from such well-known commodities, the supervision and inspection department shall order the infringer to stop the illegal activities, confiscate the illegal earnings and may, in light of the circumstances, impose a fine ranging from one to three times the illegal earnings.

If the circumstances are serious, the infringer's business license may be revoked, and if the commodities sold are fake and inferior, and such case constitutes a crime, the infringer shall be investigated for criminal responsibility according to law.

HISTORY AND CORPORATE STRUCTURE

OVERALL BACKGROUND

Our Company was converted from our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司 (originally named as Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司)), a limited liability company, into a joint stock limited liability company under the PRC Company Law on 29 June 2012. We are a major, established manufacturer and seller of footwear and a well-known seller of business casual menswear in China. Currently, we offer a wide range of men's and women's footwear products under our Fuguiniao, FGN and AnyWalk brands, as well as a wide range of business casual menswear and leather accessories under our Fuguiniao brand.

The history of our footwear business under Fuguiniao brand can be traced back to 1991, when the Founders and Controlling Shareholders of our Group, namely, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, established Fulin Footwear with an Independent Third Party to engage in the business of manufacture and sale of men's leather footwear under Fuguiniao brand. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho.

On 20 November 1995, the predecessor of our Company, Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) was established as a wholly foreign owned enterprise in the PRC by a Hong Kong individual proprietorship, Fook Lam Leather¹, to mainly engage in the design, manufacture and sale of men's footwear products under the Fuguiniao brand in the PRC. During the period between 20 November 1995 and July 2010 when Fulin Footwear was merged by absorption by our Company for the purpose of achieving economies of scale and preparation for the proposed Global Offering, the businesses of Fulin Footwear and our predecessor were operated in parallel.

To strengthen our market competitiveness, we expanded our business into the design, manufacture and sale of women's footwear under Fuguiniao brand in 1997. Our Fuguiniao branded products target the members of the working and professional classes aged from 25 to 48. In the same year, our industrial park in Shishi City, Fujian Province for the design and manufacture of women's footwear commenced operation, with annual production capacity of 2,900,000 pairs of women's shoes (calculated on the basis that our production facilities operate for eight hours per day and 300 days per year). In order to keep ourselves up-to-date on global new fashion trends and production technologies, we have also accepted orders to manufacture women's footwear on an OEM or ODM basis for certain overseas footwear companies since 2000. We have since expanded our OEM/ODM business by manufacturing and selling a wide range of men's and women's footwear products to certain overseas customers and men's footwear products to certain domestic customers men's footwear products to certain domestic customers.

¹ Pursuant to the Trust Arrangement (defined below), the predecessor of our Company was established as a wholly foreign owned enterprise in the PRC on 20 November 1995 by Mr. Wang Jianshe through his individual proprietorship incorporated in Hong Kong, Fook Lam Leather, for and on behalf of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, Founders of our Group. For details of the Trust Arrangement, please refer to the subsection headed "Our Founders and Trust Arrangement – Trust Arrangement" below.

HISTORY AND CORPORATE STRUCTURE

In May 2004, to further broaden our product portfolio, we began the sale of business casual menswear products under Fuguiniao brand through a license to an Independent Third Party. As we were uncertain of the prospects of the menswear business, we authorised such Independent Third Party to explore this new business with his own resources and to use our Fuguiniao trademark and tradename free of charge. As the menswear business grew rapidly in recent years, in 2011, we decided to operate the menswear business by ourselves. Therefore, we did not renew the license of our trademarks with such Independent Third Party and started the sale of business casual menswear products under Fuguiniao brand by ourselves.

With the increasing demand for our products from both domestic and overseas markets, our industrial park in Shishi City, Fujian Province for the design and manufacture of men's footwear commenced operation in February 2008, with annual production capacity of 1,700,000 pairs of men's shoes (calculated on the basis that our production facilities operate for eight hours per day and 300 days per year), and our manufacture base in Shishi City, Fujian Province for export trading commenced operation in April 2011, with annual production capacity of 1,200,000 pairs of shoes (calculated on the basis that our production facilities operate for eight hours per day and 300 days per year).

In 2010, to further expand our customer base, we launched our AnyWalk brand. With AnyWalk, we offer a range of middle to high end fashion and casual footwear targeting younger, fashion-conscious population aged from 16 to 35, catering towards individualistic style of the new generation fashion consumer. In 2012, we launched our FGN brand as our middle to high end brand. With FGN, we offer a range of middle to high end business casual footwear products, targeting the urban population aged from 25 to 40.

As we became more and more interactive with the international market over the past years, in January 2012, we incorporated Hong Kong Fuguiniao mainly for the administration of our overseas procurement and sales, as well as management of part of our overseas intellectual property.

We place a great emphasis on offering comfortable footwear with high quality in a variety of styles in line with the latest fashion trends and customers' needs. We engage in the research, design and development of footwear systematically via our internal design and development department, as well as cooperation with well recognised external designers and design institutions. In March 2012, we established a research center in Dongguan, Guangdong Province, focusing on the research and design of products we manufacture for third parties, which further strengthened our research and design capabilities.

In anticipation of the Global Offering, our Group underwent the Reorganisation (further elaborated below) to rationalize our corporate structure. In April 2012, certain strategic investors were introduced (further elaborated below) into our Company. On 29 June 2012, our Company was converted from a limited liability company into a joint stock limited liability company under the PRC Company Law with a registered capital of RMB400 million.

HISTORY AND CORPORATE STRUCTURE

Milestones in Our History

The following illustrates our major business development milestones and achievements:

Year	Event
1991	Fuguiniao brand was launched.
1995	Our predecessor, Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) was established in Shishi City, Fujian Province to engage in the design, manufacture and sale of men's footwear products under the Fuguiniao brand in the PRC.
1997	We expanded our business into the design, manufacture and sale of women's footwear under Fuguiniao brand.
	Our industrial park in Shishi City, Fujian Province for the design and manufacture of women's footwear commenced operation.
1998	Our footwear product was recognised as "China Leather Shoes King (中國真皮鞋王)" by China Leather Industry Association.
	We expanded our product line into accessories.
1999	Our Fuguiniao brand was accredited as "China Well-known Trademark (中國馳名商標)" by Trade Mark Bureau of SAIC.
2001	Our footwear products received "Certificate of Product Exemption from Quality Supervision Inspection" (產品質量免檢證書) from AQSIQ.
2002	Our footwear product was recognised as "China Top Brand Product (中國名牌產品)" by AQSIQ.
2004	We started the sale of business casual menswear products under Fuguiniao brand through a license to an Independent Third Party.
2005	We engaged Mr. Chen Zhonghe (陳忠和), the then head coach of the China women's national volleyball team, to be our first brand ambassador.
2006	Our Fuguiniao brand was accredited as "The Most Competitive Brands (最具市場競爭力品牌)" by MOFCOM.
2008	Our newly-invested industrial park in Shishi City, Fujian Province for the design and manufacture of men's footwear commenced operation.
	Our Fuguiniao brand was accredited as 2008-2009 Fujian International Famous Brand (福建省國際知名品牌) by Fujian Provincial Department of Foreign Trade & Economic Cooperation.
2009	We engaged a famous PRC actor Mr. Lu Yi (陸毅) to be our second brand ambassador.
2010	We launched our AnyWalk brand, targeting younger, fashion-conscious population.

HISTORY AND CORPORATE STRUCTURE

Year	Event
2011	<p>Our brand was accredited as Year 2011-2013 International Famous Brand to be Fostered and Developed by Fujian Province (福建省重點培育和發展的國際知名品牌).</p> <p>Our manufacture base in Shishi City, Fujian Province for export trading commenced operation.</p> <p>We started to operate the menswear business under Fuguiniao brand by ourselves.</p>
2012	<p>Our sophisticated research center located in Dongguan, Guangdong Province commenced operation.</p> <p>We launched our FGN brand, a middle to high end brand targeting the urban population aged from 25 to 40.</p> <p>Our Company was converted from a limited liability company into a joint stock limited liability company under the PRC Company Law with a registered capital of RMB400 million.</p>

OUR FOUNDERS AND TRUST ARRANGEMENT

Trust Arrangement

Our Company, as the first and the major operating entity of our Group, was established as a wholly foreign owned enterprise in the PRC on 20 November 1995 by Mr. Wang Jianshe through his individual proprietorship incorporated in Hong Kong, Fook Lam Leather, at the instructions and for and on behalf of our Founders, namely, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho (the “**Trust Arrangement**”). Mr. Wang Jianshe is a cousin of each of our Founders. The initial registered capital of HK\$7 million of our Company and any further registered capital contributions by Fook Lam Leather were all originally provided by our Founders to Mr. Wang Jianshe. The reason for such Trust Arrangement was that our Founders intended to keep their ownership of our Company confidential for commercial reasons at that time, as well as to expedite the application process for the establishment of our Company as a wholly foreign owned enterprise by utilising the existing vehicle of Fook Lam Leather.

Under the Trust Arrangement, Mr. Wang Jianshe and Fook Lam Leather were merely bare trustees who were not allowed to exercise any voting right or make any decisions as registered shareholders of our Company without the instructions of our Founders. All the voting rights attaching to or the rights to control the entrusted equity interest in Fook Lam Leather were retained by our Founders, and the rights to receive dividends were also remained in their hands.

In order to terminate the Trust Arrangement so as to reflect the true ownership of the beneficial equity interest in our Company, on 8 October 2004, Fook Lam Leather entered into an equity transfer agreement with Fuguiniao Holdco, which was owned as to 25% by each of our four Founders at that time. Pursuant to the equity transfer agreement, Fook Lam Leather transferred the entire equity interest in our Company to Fuguiniao Holdco for a consideration of RMB0.3 million, which was determined based on both parties’ mutual agreement.

HISTORY AND CORPORATE STRUCTURE

Such consideration was paid by Fuguiniao Holdco to Fook Lam Leather in October 2004. Upon completion of the above-mentioned equity transfer, our Company became beneficially owned by our Founders.

Mr. Wang Jianshe has confirmed that the Trust Arrangement had been terminated and is of no further effect, and that there are no disputes or potential disputes among relevant parties under the Trust Arrangement in relation to the equity interest of our Company or its predecessor.

Our PRC legal adviser, Zhong Lun Law Firm, are of the view that the Trust Arrangement had not violated any relevant PRC laws or regulations and was valid and binding among relevant parties until lawfully terminated by relevant parties pursuant to the above-mentioned equity transfer agreement.

Our Founders

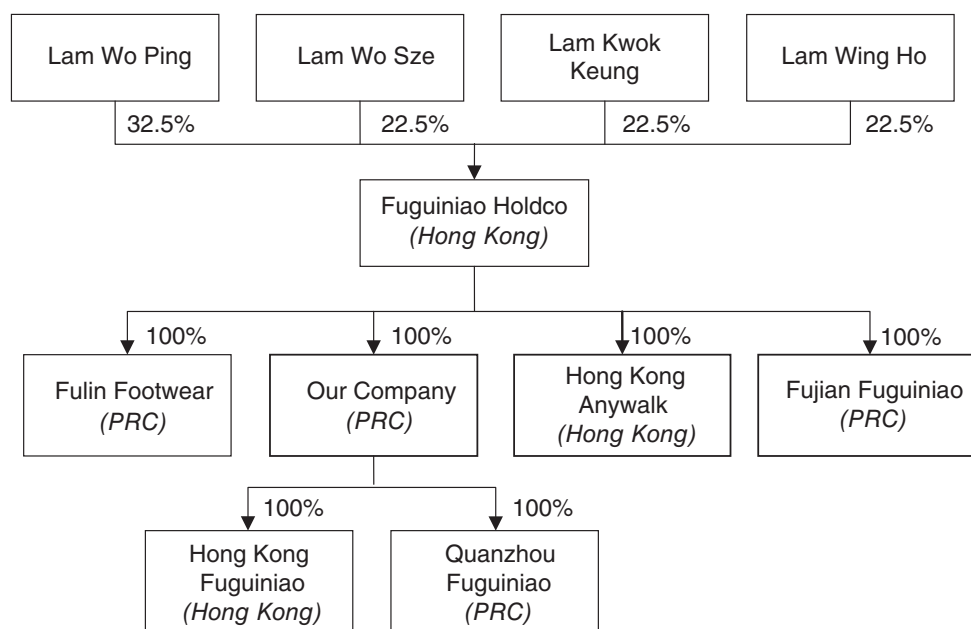
Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho are the Founders of our Company. Mr. Lam Wo Ping is an executive Director and the chairman of the Board of our Company, and each of Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho is a non-executive Director of our Company. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho.

Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, respectively, has over 29 years of experience in the industry of footwear and apparels.

Please also refer to the section headed “Directors, Supervisors and Senior Management” of this prospectus for further details of the background of our Founders.

REORGANISATION

The companies comprising our Group underwent the Reorganisation to rationalize our corporate structure in preparation for the Global Offering. The following chart sets forth our corporate and shareholding structure immediately prior to the Reorganisation:



HISTORY AND CORPORATE STRUCTURE

The Reorganisation mainly involved the following steps:

Merger of Fulin Footwear by Absorption

Fulin Footwear was a wholly-owned subsidiary of Fuguiniao Holdco immediately before the merger by absorption, and its business scope mainly included manufacture and sale of footwear and apparel products, which was similar to that of our Company. In order to achieve economies of scale and prepare for the Global Offering, Fuguiniao Holdco decided to inject all the assets and business of Fulin Footwear into our Company.

On 1 December 2009, our Company entered into an agreement of merger by absorption with Fulin Footwear, pursuant to which our Company absorbed all the assets, creditors' rights, debts, personnel and business of Fulin Footwear. As both our Company and Fulin Footwear then were wholly-owned subsidiaries of Fuguiniao Holdco, no consideration was paid by our Company for the merger.

Upon completion of such merger by absorption, the registered capital of our Company increased to US\$35,320,000, being the aggregated amount of the registered capital of both our Company and Fulin Footwear immediately before the merger, and Fulin footwear was dissolved and de-registered on 26 October 2010.

Acquisition of Hong Kong Anywalk

Hong Kong Anywalk was incorporated in Hong Kong on 29 July 2010 and was wholly-owned by Fuguiniao Holdco immediately before the acquisition. It was mainly engaged in the administration of offshore trademarks and other intellectual property, including the trademark of AnyWalk.

On 19 April 2012, in preparation for the Global Offering, Hong Kong Fuguiniao, a wholly-owned subsidiary of our Company, entered into an instrument of transfer with Fuguiniao Holdco, pursuant to which Fuguiniao Holdco transferred the entire issued share capital of Hong Kong Anywalk to Hong Kong Fuguiniao for a consideration of the nominal value of such share capital in the total amount of HK\$10,000.

The consideration of HK\$10,000 was fully paid by Hong Kong Fuguiniao to Fuguiniao Holdco in April 2012. Hong Kong Anywalk became an indirect wholly-owned subsidiary of our Company upon the completion of such acquisition.

Acquisition of Fujian Fuguiniao

Fujian Fuguiniao was established in the PRC on 31 January 2007 and was wholly-owned by Fuguiniao Holdco immediately before the acquisition. It was mainly engaged in the design and manufacture of footwear, apparel and accessories, and in particular, the administration of sale of such products.

HISTORY AND CORPORATE STRUCTURE

On 1 April 2012, in preparation for the Global Offering and for the purpose of further improving our vertically integrated business model, our Company, together with its wholly-owned subsidiary Hong Kong Fuguiniao, entered into an equity transfer agreement with Fuguiniao Holdco, pursuant to which each of our Company and Hong Kong Fuguiniao acquired 75% and 25% of the equity interest in Fujian Fuguiniao, for a consideration of RMB23,528,497.92 and RMB7,842,832.64, respectively. The consideration was determined based on the NAV of Fujian Fuguiniao as at 31 December 2011, minus the amount of dividends distributed by Fujian Fuguiniao to its shareholders in March 2012.

The consideration of RMB23,528,497.92 and RMB7,842,832.64 were fully paid by our Company and Hong Kong Fuguiniao to Fuguiniao Holdco in April 2012. Fujian Fuguiniao became an indirect wholly-owned subsidiary of our Company upon the completion of such acquisition.

Disposal of Quanzhou Fuguiniao

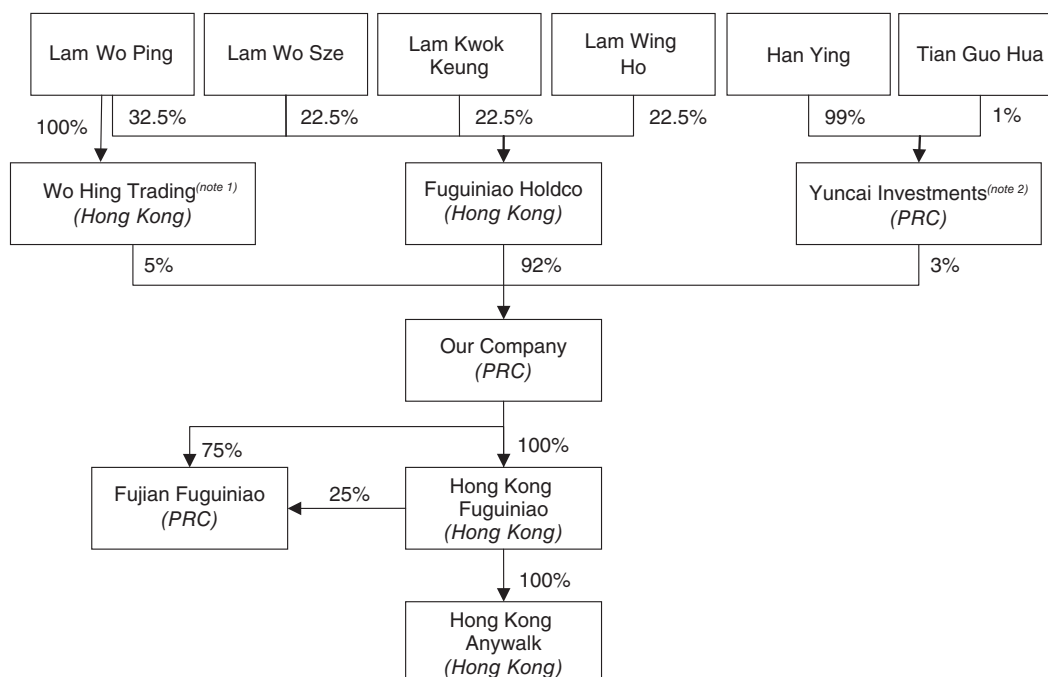
Quanzhou Fuguiniao was established in the PRC on 25 October 2010 by our Company and was wholly-owned by our Company immediately before the disposal. Its business scope mainly included real estate investment, sale of electronic products and management of real properties. Before the disposal, it had not actually engaged in any business activities since its establishment.

On 13 February 2012, in preparation for the Global Offering and for the purpose of disposing of any business not directly related to our major business, our Company entered into an equity transfer agreement with Shishi Fuguiniao, which was owned as to 25% by each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Pursuant to the equity transfer agreement, the entire equity interest in Quanzhou Fuguiniao was transferred to Shishi Fuguiniao for a consideration of RMB5,000,000, which was determined based on the paid-up registered capital of Quanzhou Fuguiniao, and also by reference to its NAV.

The consideration of RMB5,000,000 was fully paid by Shishi Fuguiniao to our Company in February 2012.

HISTORY AND CORPORATE STRUCTURE

The following chart sets forth the corporate structure of our Company immediately after the Reorganisation steps above:



Note 1: Pursuant to the arrangement among our Founders that Mr. Lam Wo Ping shall directly and indirectly own more than 30% in aggregation of the equity interest in our Company, on 1 April 2012, Wo Hing Trading and Yunca Investments entered into a capital increase agreement (“**Capital Increase Agreement**”) with Fuguiniao Holdco, pursuant to which Wo Hing Trading agreed to contribute US\$4.12 million (determined based on the NAV of our Company as at 31 January 2012) to our Company, of which US\$1.92 million was credited to our registered capital, and the remaining US\$2.2 million was credited to our capital reserve. Such capital contribution was fully paid as at 25 April 2012.

Under the Capital Increase Agreement, no special rights that were not available to other Shareholders were given to Wo Hing Trading.

Wo Hing Trading is wholly-owned by Mr. Lam Wo Ping, an executive Director, chairman of the Board and one of our Controlling Shareholders.

Note 2: Our Company granted an option to Ms. Han Ying in 2000 to contribute to and own certain percentage of the equity interests in the women’s footwear business of our Group. In 2007, both parties reached an agreement, pursuant to which such option was modified such that Ms. Han Ying could contribute and own certain percentage of the equity interests in our Company, instead of women’s footwear business of our Group. To exercise such option, on 1 April 2012, Yunca Investments and Wo Hing Trading entered into the Capital Increase Agreement with Fuguiniao Holdco, pursuant to which Yunca Investments agreed to contribute US\$2.47 million (determined based on the NAV of our Company as at 31 January 2012) to our Company, of which US\$1.15 million was credited to our registered capital, and the remaining US\$1.32 million was credited to our capital reserve. Such capital contribution was fully paid as at 25 April 2012.

Under the capital increase agreement, no special rights that were not available to other Shareholders were given to Yunca Investments.

Yunca Investments was mainly engaged in private equity investments and providing related consultancy service. It is owned as to 99% by Ms. Han Ying, an executive Director of our Company, and 1% by Mr. Tian Guo Hua, the husband of Ms. Han Ying.

Our PRC legal adviser, Zhong Lun Law Firm, confirmed that relevant approvals from the relevant PRC authorities in relation to the above Reorganisation steps have been obtained, and that the Reorganisation complies with the relevant applicable PRC laws and regulations.

HISTORY AND CORPORATE STRUCTURE

STRATEGIC INVESTMENTS

For the purpose of improving our corporate governance structure, as well as satisfying the requirement of minimum number of promoters for establishment of joint stock limited liability company under PRC laws, on 25 April 2012, Fuguiniao Holdco, one of our Controlling Shareholders, entered into an equity transfer agreement with the Strategic Investors, namely, Junding Investments, Leading Fortune, Leading Investments, Bairui Leading, Shiji Tianfu, Shiji Caifu, Tianrui Leading and Tiangui Leading, to transfer an aggregate of 9.2% of the equity interest in our Company for a total consideration of RMB460 million (equals RMB12.5 per Domestic Share held by the Strategic Investors upon the conversion of our Company from a limited liability company to a joint stock limited liability company, representing premium between 120.3% to 57.3% to the Offer Price range, calculated based on the lower end of the Offer Price range of HK\$7.17 per Share and the upper end of the Offer Price range of HK\$10.04 per Share), which was determined based on arm's length negotiation among the relevant parties. The table below sets forth details in relation to such equity transfer:

Strategic Investors	Percentage of equity interest acquired	Transfer price (RMB million)	Date of payment
Junding Investments	4.0%	200	28 April 2012
Leading Fortune	1.3%	65	28 April 2012
Leading Investments	1.0%	50	28 April 2012
Bairui Leading	0.6%	30	28 April 2012
Shiji Tianfu	0.6%	30	28 April 2012
Shiji Caifu	0.6%	30	28 April 2012
Tianrui Leading	0.6%	30	28 April 2012
Tiangui Leading	0.5%	25	28 April 2012
Total:	9.2%	460	28 April 2012

The other two then existing Shareholders, namely Wo Hing Trading and Yuncai Investments, waived their pre-emptive rights in relation to the equity interest to be transferred under the equity transfer agreement.

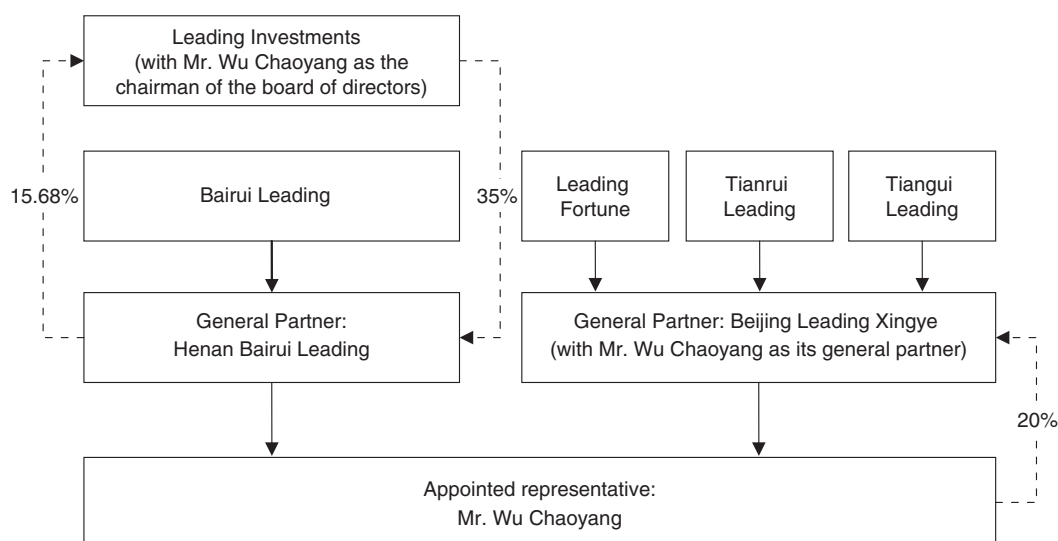
No special rights that are not available to other Shareholders are available to the Strategic Investors under the equity transfer agreement. According to the PRC Company Law, the equity interest in our Company held by each of the Strategic Investors shall not be transferred within one year from the Listing Date.

The Shares of our Company to be held by the Strategic Investors upon Listing will be considered as part of the public float, as for each of the Strategic Investors, (i) none of them is a connected person of our Company; (ii) the acquisition of its equity interest in our Company was not financed directly or indirectly by our Company or any connected person of our Company; and (iii) none of them is accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of equity interest in our Company held by it. As the strategic investments were completed on 28 April 2012, which is more than 28 days before the first submission of the listing application to the Stock Exchange, the Sole Sponsor confirms that the strategic investments are in compliance with the Interim Guidance on Pre-IPO Investments announced by the Listing Committee on 13 October 2010.

HISTORY AND CORPORATE STRUCTURE

Each of the Strategic Investors is a limited liability company or a limited liability partnership established in the PRC, mainly engaged in private equity investment. Each of the Strategic Investors is independent from the other Shareholders of our Company, the Directors, the Supervisors, the senior management of our Company and their respective associates. Save as disclosed below (further set forth in the chart below), there is no other relationship among the Strategic Investors:

- Mr. Wu Chaoyang is the chairman of the board of directors of Leading Investments, and indirectly owns 15.68% of the equity interest in Leading Investments. The general partner of Bairui Leading is Henan Bairui Leading Investments Co., Ltd. (河南百瑞力鼎投資有限公司, “**Henan Bairui Leading**”), which appointed Mr. Wu Chaoyang as its representative for such general partner affairs. Leading Investments owns 35% of the equity interest in Henan Bairui Leading, the single largest shareholder of Henan Bairui Leading.
- The general partner of each of Tianrui Leading, Tiangui Leading and Leading Fortune is Beijing Leading Xingye Investment Management Center (北京力鼎興業投資管理中心, “**Beijing Leading Xingye**”), which appointed Mr. Wu Chaoyang as its representative for such general partner affairs. Mr. Wu Chaoyang contributed to 20% of the share capital of Beijing Leading Xingye, and is its general partner.



CONVERSION AND ESTABLISHMENT OF THE COMPANY

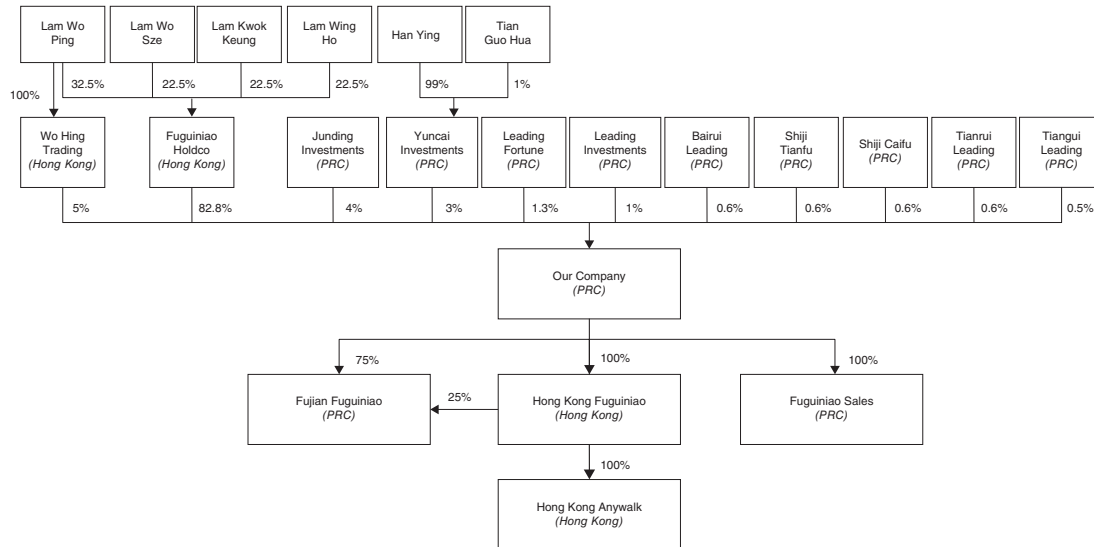
In preparation for a listing, the Company was converted from a limited liability company into a joint stock limited liability company under the PRC laws with a registered capital of RMB400 million on 29 June 2012. In November 2012, we submitted an application to CSRC for the listing of A shares of our Company on the Shanghai Stock Exchange. In the spring of 2013, we learned from various media reports that the CSRC had a significant backlog of applications for listing on the A-share market and expected the vetting and approval process for the listing of our Company in the PRC to be lengthy as well as uncertain. Accordingly, we started planning the listing of our H Shares on the Stock Exchange and withdrew our A-share listing application from the CSRC on 31 May 2013.

HISTORY AND CORPORATE STRUCTURE

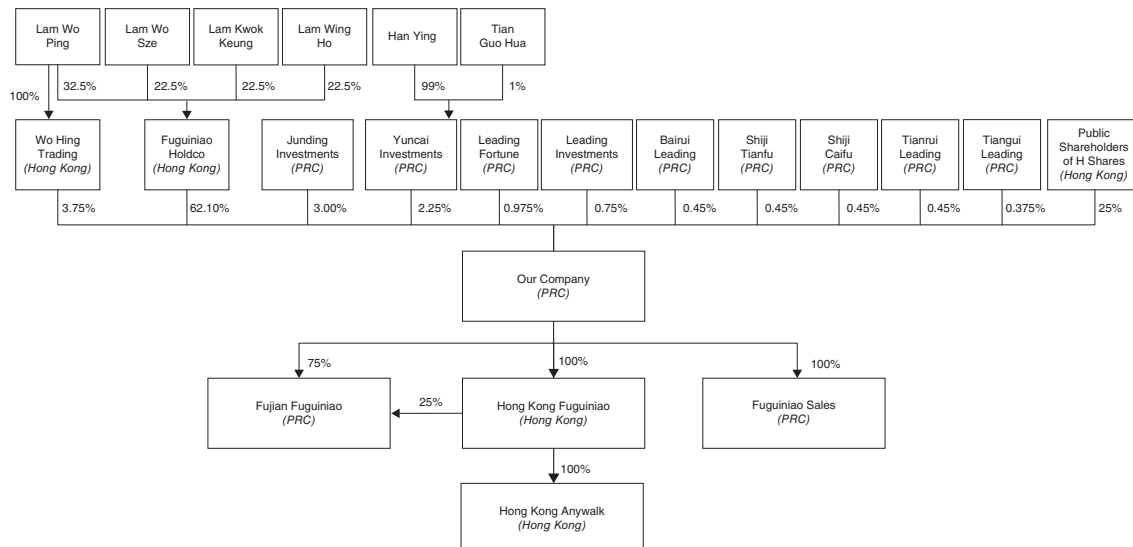
ESTABLISHMENT OF FUGUINIAO SALES

For the purpose of better management of the overall sales activities of our Group, on 8 March 2013, Fuguiniao Sales, with registered capital of RMB50 million, was established as a limited liability company under the PRC Laws by our Company to mainly engage in the sales business of our Group.

The following chart sets out our ownership and corporate structure immediately prior to the Global Offering:



The following chart sets out our ownership and corporate structure immediately after the Global Offering, assuming the Over-allotment Option is not exercised:



OVERVIEW

We are a major, established manufacturer and seller of footwear and a well-known seller of business casual menswear in China. According to the Frost & Sullivan Report, we were the third largest manufacturer of branded business casual footwear products and the sixth largest manufacturer of branded men's and women's footwear products in the PRC in terms of retail revenue for the year ended 31 December 2012, with a market share of 4.1% and 2.3%, respectively. According to Frost & Sullivan, the overall PRC footwear market consists of men's and women's footwear, sports shoes, and children's shoes. Our main business sector, men's and women's footwear, can be further categorised into formal footwear, business casual footwear and sports casual footwear. Approximately 14.5%, 8.9% and 7.5% of the retail revenue of the overall PRC footwear market was attributable to the branded business casual footwear segment, formal footwear segment and sports casual footwear segment for the year ended 31 December 2012, according to Frost & Sullivan.

We primarily manufacture and sell our products under our well-known Fuguiniao brand. The strength of our brand is a key factor in our business and we have received numerous awards recognising our products and the brands under which they are sold. From 1998 to 2012, our leather footwear products were named the "China Leather Shoes King" (中國真皮鞋王) or "China Leading Leather Shoes King" (中國真皮領先鞋王) four times by the China Leather Industry Association. Our Fuguiniao brand was recognised as a "China Well-known Trademark" (中國馳名商標) as early as January 1999. In 2002 and 2005, our Fuguiniao branded footwear was recognised as a "China Top Brand Product" (中國名牌產品) by AQSIQ. In 2006, our Fuguiniao brand was named as one of "The Most Competitive Brands" (最具市場競爭力品牌) by MOFCOM. In each of 2001, 2004 and 2007, our Fuguiniao branded footwear was awarded with the "Certificate for Products Exempt from Quality Supervision Inspection" (產品質量免檢證書) by AQSIQ.

We offer a diversified product portfolio, which we believe positions us well in the PRC footwear and apparel markets. The history of our footwear business under the Fuguiniao brand can be traced back to 1991 when the brand was launched by our Founders. We began to produce men's leather footwear in 1995 and expanded our product line to include women's footwear in 1997. Currently, we offer a wide range of men's and women's footwear products under our Fuguiniao, FGN and AnyWalk brands. Leveraging the well-established Fuguiniao brand for footwear products, we have also successfully diversified into other related product lines under our Fuguiniao brand, including a wide range of business casual menswear, such as suits, pants, jackets and shirts, and leather accessories, such as belts, bags, luggage and wallets.

We place great emphasis on offering comfortable and high quality footwear in a variety of styles that are in line with the latest fashion trends and customers' preferences. For each of our product segments and brands, we have a dedicated research, design and development team. As at 30 June 2013, our design and development teams comprised 307 members, including five design directors, six chief designers and several senior designers, who possessed an approximate average of over 15 years of design experience in the footwear and/or apparel industries. This strong research, design and development function provides us with the capacity to introduce into the market over 1,500 SKUs for our branded footwear products and approximately 300 SKUs for our menswear products each season. As at 30 June 2013, we have been granted 40 patents for footwear products including 38 utility model patents and two design patents.

Our products are primarily sold through an extensive sales and distribution network across the PRC. As at 30 June 2013, we had a sales and distribution network of 3,195 retail outlets across 31 provinces, autonomous regions and municipalities in China, of which

BUSINESS

1,259 were owned and operated by our distributors, 1,702 were owned and operated by third-party retailers and the remaining 234 were operated directly by us. We sell a majority of our products on a wholesale basis to authorised distributors, who then subsequently sell our products to end customers through the retail outlets they operated or which are operated by third-party retailers with whom they contract. All of our distributors and the third-party retailers were Independent Third Parties as at the Latest Practicable Date. These retail outlets include department store outlets and stand-alone stores. As at 30 June 2013, we had 60 distributors across China. We have working relationships of ten years or more with 22 of these distributors. Sales to our distributors accounted for approximately 57.3%, 73.2%, 72.1%, 76.9% and 71.0% of our total turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively.

Along with this distribution business model, we sell our products directly through various channels, including proprietary retail outlets, large-scale institutional purchases and online sales. As at 30 June 2013, we operated 234 proprietary retail outlets. Sales through our proprietary outlets accounted for approximately 6.2%, 1.4%, 4.6% and 1.0% and 10.6% of our total turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. We also sell a small proportion of products through large-scale institutional purchases, which offer attractive margins as they cut out intermediary expenses. Sales through large-scale institutional purchases accounted for approximately 0.4%, 0.7%, 1.4% and 0.5% and 0.9% of our total turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. In addition, we began to sell products to customers via the Internet since 2011. Online sales accounted for 0.5%, 2.0% and 1.4% and 2.3% of our total turnover for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. We believe these direct sales provide us with additional channels to access end customers that would not otherwise be covered by our distribution network.

While we sell a majority of our products under our own brands to domestic distributors, we also manufacture footwear products on an OEM or ODM basis, primarily for foreign footwear brands such as “BLONDO”, “COVANI” and “CONNI”. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, the turnover generated from our OEM/ODM business accounted for 36.1%, 24.2%, 19.9% and 20.2% and 15.2%, respectively, of our total turnover.

For the six months ended 30 June 2013, we manufactured approximately 63.1% of our footwear products in terms of turnover at our own production facilities in Shishi City, Fujian Province and outsourced the rest of our footwear and all of our menswear and leather accessories production to third-party subcontractors. We believe this combination of in-house and outsourced production provides us with significant flexibility that enables us to meet market demand on a timely and cost-effective basis. Our quality control team monitors each stage of our production process to ensure high quality of our products, which is one of our top priorities. We also work closely with our third-party subcontractors to ensure that all of our outsourced products meet our quality standards.

We grew rapidly during the Track Record Period. Our turnover grew from RMB1,070.1 million in 2010 to RMB1,932.1 million in 2012, representing a CAGR of approximately 34.4%, and the number of retail outlets selling our products grew from 1,820 as at 31 December 2010 to 3,231 as at 31 December 2012, representing a CAGR of approximately 33.2%. Our turnover also grew from RMB903.1 million for the six months ended 30 June 2012 to RMB1,084.4 million for the six months ended 30 June 2013.

OUR COMPETITIVE STRENGTHS

Since the establishment of our Company, our primary goal has been to offer high quality, comfortable footwear and menswear products at competitive prices. We believe our success and potential future growth are attributable to the following principal competitive strengths:

Leading, long-established PRC business casual footwear brand

Our Fuguiniao brand is a leading, long-established business casual footwear brand in China. According to the Frost & Sullivan Report, we were the second largest manufacturer of men's branded business casual footwear and the third largest manufacturer of branded business casual footwear in China as measured by retail revenue in 2012.

We believe that the strength of our brands and reputation have been principal drivers of our continuing success, particularly in attracting and retaining customers and enhancing our financial performance. The Fuguiniao brand was launched in 1991. Our Fuguiniao trademark was recognised by the Trade Mark Bureau of SAIC as a "China Well-known Trademark" (中國馳名商標) as early as in January 1999. From 1998 to 2012, our leather footwear products were awarded the "China Leather Shoes King" (中國真皮鞋王) or "China Leading Leather Shoes King" (中國真皮領先鞋王) four times by China Leather Industry Association. In 2002 and 2005, our Fuguiniao branded footwear was awarded "China Top Brand Product" (中國名牌產品) by AQSIQ. In 2006, our Fuguiniao brand was named as one of "The Most Competitive Brands" (最具市場競爭力品牌) by MOFCOM. For further details of our brand recognition, please refer to the paragraph headed "Honors and Awards" in this section.

Leveraging the strength and brand recognition of our Fuguiniao brand for footwear products, we were able to broaden our product portfolio to include a wide range of business casual menswear, such as suits, pants, jackets and shirts, which we began to sell in 2011 and leather accessory products, such as belts, bags, luggage and wallets sold under our Fuguiniao brand. We believe our broad product portfolio distinguishes us from many of our competitors and positions us well in the PRC footwear and apparel markets. In addition to expanding our product portfolio, our experience in managing our Fuguiniao brand and our industry expertise allowed us to successfully launched two additional brands, "AnyWalk" and "FGN" in 2010 and 2012, respectively. Our FGN branded products target consumers aged from 25 to 40 and offer middle to high end men's and women's leather shoes while our AnyWalk branded products target fashion-conscious population aged from 16 to 35 and offer men's and women's fashion casual shoes. We believe offering multiple brands of products helps us attract a wider range of customers and increase our pricing flexibility.

Strong product design and development capabilities and superior product quality

We believe that our design and development team has a proven track record in applying new materials and technologies to our products, which allows us to offer high-quality, comfortable footwear and menswear that keep up with market trends.

The strength of our production and design function is reflected in the fact that we were invited to formulate the relevant industry standards, including the ISO/TC16181 Critical Substance Phthalate Existed in Footwear and Footwear Leather Standard, the QB/T1002-2005 Leather Footwear Standard, the QB/T2955-2008 Casual Footwear Standard and the GB/T22756-2008 Leather Sandal Standard.

We have a team of award-winning designers, with an average of 15 years of industry experience and know-how. Our designers have won several national prizes for footwear design, including first prize in the National Leather Footwear Design Grand Prix (全國皮鞋設計大獎賽), the grand prize in the China Leather Design Grand Prix (中國皮革設計大獎賽) and first prize in the China Leather Footwear Quality Evaluation (Men's footwear A class) (全國皮鞋質量評比男鞋A類). For further details, please see “– Research, Design and Development – Our Design and Development Team”. Since 2012, we have cooperated with our suppliers to design and develop leather footwear with waterproofing, sun protection, anti-bacterial, deodorizing or other healthcare effects. As at 30 June 2013, we have been granted 40 patents for footwear products with 38 utility model patents and two design patents, which we believe have added value to our products and brought us higher profit margin.

We have dedicated design and development teams that focused on developing distinctive designs for each of our brands. In March 2012, we established a research center in Dongguan, Guangdong Province, focusing on research and design of products we manufacture for third parties. As at 30 June 2013, our design and development teams comprised 307 members, including five design directors, six chief designers and several senior designers, who possessed an approximate average of over 15 years of design experience in the footwear and apparel industries. Our design and development teams identify new fashion trends by visiting major fashion shows and exhibitions as well as by drawing inspiration from design and market trend information we purchase from international third-party research institutions on a quarterly basis. On average, our design and development team has a current design capacity of over 1,500 SKUs for our footwear products and over 300 SKUs for our menswear products per season.

We have a strong focus on the quality of our products, grounded in a strong understanding of the anatomical structure of human feet, we dedicate significant research on the material, mold and size of shoes to make sure the shoes we make match feet of the majority of the public in China, are durable and can be comfortably worn for multiple purposes. We also take measures to ensure such quality both for products produced at our own factories as well as those produced by our subcontractors. For the products we make in our own facilities, we apply quality control measures at each stage of the production process, from raw materials procurement to testing of finished products, to ensure that we provide quality products to consumers. For the products we outsource to subcontractors, we send five to seven inspectors to stay at the premises of each subcontractor and monitor the production process of the subcontractors from raw materials procurement to testing of finished products to ensure the quality of such products is of the same quality as the products produced by us. In 1994, 2005 and 2008, we obtained ISO9001:1994, ISO9001:2000 and ISO9001:2008 quality control certification for our footwear production processes, respectively. In addition, in 2001, 2004 and 2007, our Fuguiniao branded footwear was awarded with the “Certificate for Products Exempt from Quality Supervision Inspection” (產品質量免檢證書) by AQSIQ. Please refer to “Quality Control” under this section in the prospectus. The consistent high quality of our products is also demonstrated by the fact that we have been engaged in manufacturing footwear for a number of overseas brands on an OEM or ODM basis since 2000.

Diversified product portfolio

We have established a diversified product portfolio consisting of men's and women's footwear, business casual menswear and leather accessories marketed under our three brands, Fuguiniao, FGN and AnyWalk. Products under each brand target distinct segments

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of the consumer base based on demographics such as age, gender, job status and wealth. The retail outlets in our sales and distribution network are categorized into two types: footwear outlets and menswear outlets. In cases we or our distributors believe it will be advantageous, we, our distributors or third-party retailers will sell leather accessory products in footwear outlets and select footwear products in menswear outlets to maximize cross-selling opportunities, whereby sales of one type of products may result in the increased sales of other types of products. As part of our expansion plan, we intended to open three integrated stores by the end of 2015 in which we will sell all types of products we offer under each of our brands. As at the Latest Practicable Date, we had already opened an integrated store in Quanzhou, Fujian Province. See “– Our Business Strategies – Further strengthen and expand our sales and distribution network” and “– Sales and Distribution – Expansion Plan” in this prospectus for details.

We believe a diversified product portfolio marketed under the different brands allows us to target a wide customer base, increase our turnover, enhance our market competitiveness and reduce the risk of reliance on any one particular market or demographic group. For example, our turnover grew significantly from RMB1,070.1 million for the year ended 31 December 2010 to RMB1,932.1 million for the year ended 31 December 2012 due in part to our starting to sell business casual menswear products in May 2011. As a result, our reliance on footwear sales decreased during the Track Record Period as the turnover from the sales of our footwear products as a percentage of our total turnover decreased from 99.8% in the year ended 31 December 2010 to 80.7% in the six months ended 30 June 2013.

Extensive nationwide retail network in the PRC with diversified sales channels

We sell our branded products through an extensive sales network covering Tier 1 to Tier 4 cities in the PRC. We sell a substantial portion of our branded products to our distributors who subsequently sell our products to end customers through retail outlets they operate or which are operated by third-party retailers with whom they contract. As at 30 June 2013, we had a total of 60 distributors in the PRC, all of whom were Independent Third Parties. We have working relationships of ten years or more with 22 of these distributors. These distributors, together with third-party retailers operated a wide distribution and retail network consisting of 2,961 retail outlets across 31 provinces, autonomous regions and municipalities in China as at 30 June 2013. We believe distributing products primarily through our distributors and third-party retailers is cost-effective and has allowed us to increase our market penetration within a short period of time. The total number of the retail outlets selling our products increased from 1,820 as at 31 December 2010 to 3,195 as at 30 June 2013. Our distributors and third-party retailers sell our branded products through retail outlets consisting of department store outlets and stand-alone stores. According to Frost & Sullivan, department stores were the largest retail revenue contributor in 2012 for footwear products in China. We are able to capitalise on our presence in department stores to attract a wider customer base. As at 30 June 2013, 65.9% of our footwear retail outlets were department store outlets.

In addition, we have expanded our sales network to other direct distribution channels, including 234 proprietary outlets as at 30 June 2013, large-scale institutional purchases and online sales. Our proprietary outlets, which are operated directly by us, are primarily located in Tier 1 and other major cities in China, where we believe that we consider vital to the enhancement of our brand image and the strategic growth of our business as a whole, that have the most competitive markets or where the distributors lack the capacity to explore the market. We also currently sell a small proportion of products through large-scale

institutional purchases, from which we generate a higher profit margin than our traditional distribution network as the number and cost of intermediaries are reduced. From 2011, we started to sell certain products through third-party online shopping platforms, including, notably, *www.tmall.com*, through which we are able to access end customers that are not otherwise covered by our distribution network. Our sales through both large-scale institutional purchases and online sales have grown rapidly during the Track Record Period. We believe with greater demand for personalized products in the market and the development of e-commerce business in the PRC, sales through such direct sales channels have a great potential to increase in the future.

We believe that our access to such an extensive and established retail network and diversified direct sales channels has facilitated the rapid growth of our branded product business over the Track Record Period and will facilitate further expansion in the future.

Vertically integrated business model with flexible manufacturing operations

We have adopted a vertically integrated business model which allows us to monitor and manage our main business operations from product design, raw materials procurement, production and outsourcing, to marketing and promotion, and sales and distribution of our products. This model enables us to strengthen our control over all of the key stages of the manufacturing process. It also enhances the communication amongst our different departments at different stages of production, which allows us to more effectively and efficiently conduct our planning and operations. Our design and development department is able to take advantage of the up-to-date market information provided by the sales department to design products catering to market trends. Our procurement department will only place orders for raw materials to the extent they receive production plans from our production department which are determined based on actual purchase orders received from customers. Our production department is able to arrange production of additional batches of certain products as soon as they learn from the sales department which products seem to be the best sellers. This provides our Company with direct access to information of our end customers and the latest market trends and a greater ability to arrange raw material procurement to better control the cost, quality and delivery time of such raw materials. Under this vertically integrated business model, the delivery cycle from receiving orders on initial batches of seasonal products to delivering finished products to our customers is between approximately seven to 50 days for footwear products and approximately ten to 60 days for menswear products, depending on the availability of raw materials, while the replenishment cycle from receiving replenishment orders to delivering finished products is approximately 20 days, which we believe are competitive in the industry.

Our production operations are also set up to maximize flexibility and our ability to respond quickly and efficiently to changing market conditions. While most of the footwear products we manufacture are sold under our own brands, we also produce footwear for third-party brands on an OEM or ODM basis and also outsource the manufacture of a portion of our branded footwear products and all of our menswear and leather accessories to subcontractors. We have long-term relationships with both our OEM/ODM customers and our subcontractors but do not enter into long-term contracts with either of them. Therefore, we possess production flexibility that allows us to increase our production capacity quickly and also allows us to utilise any excessive production capacity to produce footwear products for OEM/ODM customers. Such flexibility is reflected in our changing sales mix. For example, footwear products we manufactured for third-party brands on an OEM or ODM basis represented 36.2% of our turnover of footwear products in the year ended 31 December 2010 but decreased to 25.7% in the year ended 31 December 2012 and further

decreased to 18.8% in the six months ended 30 June 2013. Footwear products for which we outsourced production represented 22.8% of our turnover of all of our footwear products in the year ended 31 December 2010 but increased to 32.7% in the year ended 31 December 2012 and further increased to 36.9% in the six months ended 30 June 2013.

Experienced management team with proven track record

Our senior management team, including our executive Directors and senior managers, have extensive knowledge and strong operational expertise in the footwear and apparel industries. Mr. Lam Wo Ping, our chairman, has over 20 years of industry experience. He was recognised as a “National Township Entrepreneur” (全國鄉鎮企業家) by the PRC Ministry of Agriculture in 2001 and was elected as the honorary president of the third council of Shishi Textile and Apparel Associate (石獅市紡織服裝商會). In 2007, he was awarded “National Model Worker in Light Industry” (全國輕工行業勞動模範) by the PRC Ministry of Personnel. Mr. Lin was also elected as a member of the Eleventh Committee of the Chinese People’s Political Consultative Conference of Fujian Province in 2013 and was elected as the vice chairman of Fujian Chamber of Commerce in September 2012. In addition, Ms. Han Ying, our executive Director and vice general manager, has over 40 years’ experience in the footwear industry, Mr. Hong Huihuang, one of our executive Directors and vice general manager, has over 20 years of experience in the menswear industry, and Mr. Tong Jinlong, our vice general manager, has over 30 years of experience in the footwear industry. Our Directors believe that the experience in design, manufacturing, distribution and marketing of our senior management in the footwear and apparel industries has been essential for us to grow rapidly during the Track Record Period, and will be critical to our continued success and the implementation our key strategies in the future.

OUR BUSINESS STRATEGIES

We intend to capitalise on our existing strong brand recognition, enhance our design capabilities and expand our sales network to achieve sustainable sales growth and to maintain and strengthen our position as one of the leading branded footwear and menswear companies in the PRC. Specifically, we plan to pursue the following strategies to achieve our objectives:

Further strengthen and expand our sales and distribution network

We plan to expand our current retail network to further expand our geographical coverage and increase our market penetration in the PRC footwear and menswear markets by adding approximately 1,600 new retail outlets by the end of 2015. As part of this plan, we intend to work closely with our distributors and third-party retailers to help them open 1,200 to 1,300 new retail outlets. We plan to continue to support our distributors’ operation by providing guidance on store location selection, store display and decoration and training to our distributors and retail outlet sales employees to improve their customer service and product knowledge. In addition, we plan to enhance our cooperation with them by assisting them in retail outlets opening and providing on-site operational instructions. Specifically, we plan to provide display racks, lighting fixtures and marketing materials (such as posters and billboards) for the new retail outlets to be operated by our distributors. These display racks, lighting fixtures and marketing materials will be paid for by us and delivered to the new retail outlets. We will also pay for the installation of such display racks, lighting fixtures and marketing materials. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, we provided display racks, lighting fixtures and marketing materials for 392, 756, 839, 318 and 248 retail outlets, respectively, operate by

46, 56, 60, 52 and 44 distributors, respectively. The amount we spent for the purchases of such display racks, lighting fixtures and marketing materials for our distributors was RMB14.3 million, RMB29.7 million, RMB42.9 million and RMB18.1 million and RMB11.3 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. We recorded the cost of purchasing the display racks, lighting fixtures and marketing materials as a selling and distribution expense in our consolidated statement of profit or loss and other comprehensive income.

We also plan to increase the number of proprietary outlets we directly operate by an additional 300 to 400 outlets by 2015 in order to enhance our control over our distribution channel. As part of the 300 to 400 new proprietary outlets we plan to open and operate, we intend to selectively establish and operate 20 flagship stores and 65 footwear and menswear image stores in prime commercial locations in certain Tier 1, Tier 2 and Tier 3 cities in the PRC, for brand building purposes. Flagship stores are those that have a gross floor area of approximately 150 square meters per store and are located in prime commercial areas of Tier 1 and Tier 2 cities in the PRC. Image stores are those that have a gross floor area between 100 and 150 square meters per store for our footwear image stores and between 60 and 150 square meters per store for our menswear image stores that showcase our brands and corporate image. These flagship stores and image stores are intended to showcase our latest product offerings and to enhance our brand profile in the local markets. We also planned to establish three integrated stores each with a gross floor area of 600 to 1,000 square meters in Fuzhou, Quanzhou and Zhangzhou, Fujian Province, in which we will sell all types of our products under each of our brands. We plan to open more integrated stores if these initial stores are successful. We believe the integrated stores can bring economies of scale to our sales and help further enlarge our market share. As at the Latest Practicable Date, we had already opened one integrated store in Quanzhou. The rest of the new retail outlets to be opened pursuant to our expansion plan will be standard retail outlets. Standard retail outlets are those that have a gross floor area between 60 and 100 square meters per outlet. Our Directors believe that our expansion plans are feasible and reasonable based on our past growth, anticipated market demand and our production and sourcing capacities. However, we cannot guarantee the strict implementation of such expansion plans, and we may adjust such plans depending upon circumstances in our actual implementation process. As at the Latest Practicable Date, we and our distributors and third-party retailers had already added 105 new retail outlets since 30 June 2013, bringing the total number of our retail outlets to 3,300.

We also plan to expand our direct sales to large-scale institutional purchasers by increasing the number of staff dedicated to facilitating such sales. This will allow us to conduct more market promotion activities and approach more potential clients. In addition, although we believe sales generated by online retailers remain a small portion of overall sales in the footwear and apparel industries in the PRC with limited overall market penetration, this business has been growing rapidly. Therefore, we plan to increase our online sales through establishing cooperative relationships with more e-commerce platforms. We believe the expansion of our sales network will enable us to interact with our distributors and end customers more readily, and therefore, allow us to better understand market trends and consumer preferences.

Further promote our brands and enhance our marketing efforts to increase brand awareness

We believe that brand image is a key factor that affects our target consumers' purchasing decisions. We will continue our efforts to build our brand image as a comfortable, high quality and trendy brand of footwear as well as other clothing and leather

accessory products by placing advertisements through television, broadcast and print media. We intend to continue to enhance our brand image in all retail outlets through uniform management of store decoration and storage rack displays to ensure that each retail outlet, whether operated by our distributors, the third-party retailers or ourselves, delivers a consistent brand image to consumers. In addition, we have engaged and will continue to engage Mr. Lu Yi (陸毅), a prominent actor in China, as our menswear brand ambassador to participate in our promotional activities. We believe this marketing strategy is an effective means of promoting our brands.

Furthermore, as part of our strategy to expand our business overseas, we plan to conduct international market promotion and advertising activities.

Continue to expand and diversify our product offering

We believe our brand recognition and our established reputation have provided us with a broad range of opportunities to introduce new products. We have leveraged our brand recognition to expand our product offerings in the past and plan to continue to offer new products and increase our coverage of the consumer fashion market in the future. We have introduced three brands into the market targeting different customer segments. We intend to further refine our existing product lines under each brand by offering more styles within our existing product categories and to launch additional footwear, menswear and leather accessory products that are complementary to our current product offerings.

In addition to expanding our existing product lines, we are currently developing plans to diversify our product portfolio under the theme of one-stop shop, which will enable our customers to purchase all types of footwear, menswear and leather accessory products we provide for themselves and their families in a single store. As part of this strategy, we planned to open three integrated stores in Fuzhou, Quanzhou and Zhangzhou by the end of 2015 and introduce children's shoes, shoes with healthcare functions and other types of products in the future. As at the Latest Practicable Date, we had already opened one integrated store in Quanzhou.

Continue to strengthen product design and development capabilities

We believe that further enhancing our market position and reputation for quality and performance will require increased research, design and development efforts. During the Track Record Period, our expenses for the research and development increased from RMB8.1 million for the year ended 31 December 2010 to RMB24.6 million for the year ended 31 December 2012, and was RMB19.9 million for the six months ended 30 June 2013, an increase of 131.4% from RMB8.6 million for the six months ended 30 June 2012. We plan to spend RMB40.0 million on our product research, design and development in 2013.

To achieve this goal, we plan to continue to retain highly qualified research and development personnel and provide systematic design training to our designers. For details, please refer to the paragraph headed “– Research, Design and Development” in this prospectus. We also intend to establish cooperative relationships with more external design studios and technological institutes.

Actively pursue business opportunities overseas

We plan to continue to explore business opportunities in overseas markets in order to capture the growth potential in such markets and increase our profitability. We believe that pursuing overseas business opportunities will enhance our competitiveness and reputation in the global footwear and apparel industries. In particular, we plan to:

- establish and develop overseas sales channels, such as building a retail distribution network in Hong Kong to enhance our brand recognition and further expand our product reach. We intend to conduct analyses to determine the viability of our international business strategy based on the overseas demand of our products and the costs associated with the expansion. In the event we determine to establish and develop additional sales channels overseas, we intend to cooperate with local brand operators and distributors, including, but not limited to, entering into joint ventures and other partnership opportunities in the Greater China area, including Hong Kong, Taiwan and Macao, to quickly exert our presence and gain market share;
- procure new overseas OEM/ODM customers and diversify the sources of our raw materials to compliment our current product mix. Our OEM/ODM business has made stable contribution to our total turnover during the Track Record Period. An increasing number of our overseas OEM/ODM customers have requested that we use designated raw materials procured outside the PRC. In addition, we also use higher quality raw materials for our FGN branded products from overseas suppliers. Accordingly, we plan to continue to expand the list of qualified overseas suppliers who can provide high quality raw materials at competitive prices;
- leverage our brand name and reputation to selectively pursue potential strategic overseas acquisition opportunities that will be complementary to our existing business. In exploring acquisition opportunities, we plan to target those footwear and/or menswear manufacturers with substantial research and design capabilities, established retail distribution network, or those companies with substantial growth potential. We believe we can achieve growth, expand our product penetration and increase our market share through selective acquisitions. As of the Latest Practicable Date, we have not identified specific acquisition plans or targets, and have not entered into any definitive agreements with any potential targets; and
- increase our international marketing and advertising efforts and continue to expand our talent pool commensurate with our anticipated overseas business growth. We believe enhanced marketing efforts will increase our brand awareness and allow us to establish a firm foothold in select overseas markets. Furthermore, the success of our overseas business strategy depends on our ability to expand our talent pool with global core competency to suit our business expansion strategy. We intend to attract qualified personnel for our overseas business primarily through professional development and recruitment and enhancing performance-based appraisals and remuneration mechanisms.

Enhance our information systems technology so as to strengthen our vertically integrated business model

We believe that comprehensive information systems are important to the operation and function of our vertically integrated business model. We have already established an information management center in our headquarters that is responsible for setting up and operating the information network and information exchange system within our Company. We plan to further develop comprehensive information systems, including installment of core applications including, among others, an ERP system, production management system and DRP system. We intend to leverage the comprehensive information systems to monitor and manage our research and design, supply chain, production, quality and inventory

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control, logistics, sales, finance and daily operations. For example, we plan to install a DRP system at all retail outlets to allow us to track sales and inventory levels on a real-time basis and forecast demand for our products across these retail outlets. We expect such broader implementation would allow us to plan our production levels more effectively based on increased information. Our research and development department will also be able to analyze such information to gain a better understanding of consumer preferences and create product designs accordingly. We also plan to use an ERP System to link up our design, procurement, production and inventory systems to reduce our production cost and improve our delivery punctuality and our customer service satisfaction.

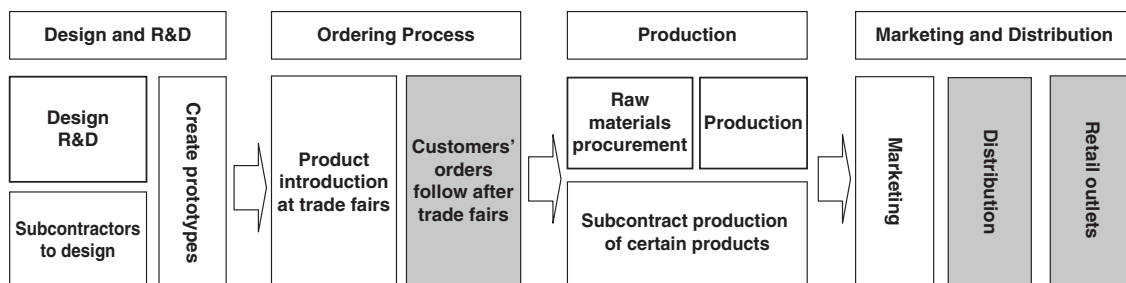
Our Directors believe that such information system will further strengthen our vertically integrated business model, keep our product designs in pace with changing consumer demand and preferences and help us maintain a competitive market position.

OUR BUSINESS MODELS

We conduct our business under two main models: a branded product business model and an OEM/ODM business model. Under our branded product business model, we sell products under our own brands. We produce a majority of branded footwear products and outsource the remainder of our footwear products and all of our menswear products and leather accessories to our subcontractors. We sell a majority of our branded products on a wholesale basis to authorised distributors, who in turn retail these products directly to end customers through retail outlets they operate or which are operated by third-party retailers with whom they contract. We also retail branded products through proprietary outlets or through other direct sales channels in China, such as large-scale institutional purchases and online sales. In addition to manufacturing our branded products, we also manufacture footwear for third-party brands on an OEM or ODM basis under our OEM/ODM business model.

Branded Product Business Model

The following diagram illustrates our current business model for our branded product business:



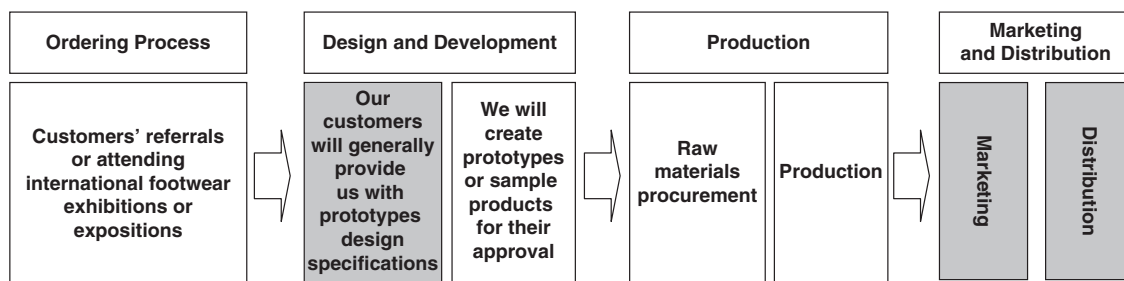
Note: Unshaded components of our business model diagram represent those aspects of the value chain controlled by us, while shaded components represent those not controlled by us. However, we enter into a distributorship agreement with each of our distributors which can be renewed annually and we rely on the conditions and restrictions set forth therein as a means to manage our distributors. Please see the sub-section headed “– Sales and Distribution – Branded Product Sales – Distribution – Distributorship agreements” below for further details. We also directly operated 234 proprietary outlets as at 30 June 2013 for which outlet marketing and distribution are directly controlled by us.

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Under our branded product business model, we generally manage all aspects of the design, research and development of our products. We also work with external research centers and design studios to come up with innovative product designs and materials for use in our products. After a design is developed and approved, prototypes of our products will be created and showcased in our trade fairs. Our distributors generally place a large portion of their orders with us during our trade fairs. We will then procure the necessary raw materials, manufacture the products or subcontract the production of certain products to third-party subcontractors. We provide design specifications for the third-party subcontractors to produce sample products for our approval before mass production. We generally coordinate the delivery of our products to our distributors. They then sell our products directly to end consumers at various retail outlets they operate or which are operated by third-party retailers with whom they contract. We also coordinate delivery of our products to those retail outlets we operate directly, and in the case of the small percentage of products sold via large-scale institutional purchases and online sales, directly to our end customers.

OEM/ODM Business Model

We commenced manufacturing women's footwear products for certain overseas customers on an OEM or ODM basis since 2000. Our clients include "BLONDO", "COVANI" and "CONNI". We have since expanded our OEM/ODM business by manufacturing both men's and women's footwear products for certain overseas customers and men's footwear products for certain domestic customers. Sales of the OEM/ODM products we produce for third-party brands, most of which we export overseas, accounted for 36.1%, 24.2%, 19.9% and 20.2% and 15.2% of our total turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. The following diagram illustrates our current OEM/ODM business model:



Note: Unshaded components of our business model diagram represent those aspects of the value chain controlled by us, while shaded components represent those not controlled by us.

Under our OEM business model, we generally manufacture products based on our customers' designs and specifications, while under our ODM business model, we also design products in accordance with our ODM customers' requirements and standards. In either case, we first create a prototype or sample product, as applicable, for our customer's approval before commencing mass production. We are generally responsible for procuring the necessary raw materials in accordance with our customers' instructions, including components, and manufacturing the products. We also coordinate the delivery of products to our overseas OEM/ODM customers on a free on board basis.

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OUR BRANDS AND PRODUCTS

We offer a wide range of footwear and apparel products, including men's and women's footwear and business casual menswear products, sold under our three brands, Fuguiniao, FGN and AnyWalk as well as leather accessories sold under our Fuguiniao brand. Each of these brands targets distinct segments of the consumer base in China and has its own design team responsible for its product design and development.

The following table sets forth the market positioning of our three brands as at 30 June 2013:

	Fuguiniao	FGN	AnyWalk
Primary distribution channels	Department store outlets and stand-alone stores in Tier 2, Tier 3 and Tier 4 cities	Department store outlets in Tier 1 and Tier 2 cities	Department store outlets and stand-alone stores in Tier 1 and Tier 2 cities
Target end customers	Footwear and leather accessories: members of the public aged from 28 to 45 Menswear: middle class men aged from 25 to 48	Urban population aged from 25 to 40	Fashion-conscious population aged from 16 to 35
Type of products	Men's and women's leather shoes, business casual menswear and leather accessories	Middle to high end men and women's leather shoes	Men's and women's fashion casual shoes
Suggested price ranges (for footwear products and leather accessories) and suggested retail prices (for menswear products)	Leather shoes: RMB400 to RMB2,300 Menswear: Range from RMB300 to RMB1,500 Leather accessories: Range from RMB50 to RMB1,500	RMB1,000 to RMB2,800	RMB600 to RMB1,500

Brands

Fuguiniao

Fuguiniao brand was launched in 1991 and we began producing men's leather footwear ourselves in 1995. We focused solely on the design, manufacture and sale of men's leather footwear under this brand until 1997, when we expanded into the design, manufacture and sales of women's footwear. Currently, the Fuguiniao brand mainly offers a range of formal and business casual footwear targeting the members of the working and professional classes aged from 25 to 48. Footwear in this line is generally priced between RMB400 and RMB2,300 per pair. Beginning in 2004, we authorised the design, manufacture and sale of business casual menswear under the Fuguiniao brand to an Independent Third Party as we intended to enhance our brand recognition at that time but did not have any expertise or know-how in the marketing and selling of menswear products. During the Track Record Period and up to the Latest Practicable Date, there were no disputes between our Group and such Independent Third Party. Going forward, we do not intend to license our trademarks to any third party other than our distributors and their authorised third-party retailers in accordance with our distributorship agreement. We began selling menswear products ourselves in 2011, targeting middle class men aged from 25 to 48. Apparel in this line is generally priced between RMB300 and RMB1,500 per piece. We also sell our leather accessory products, such as belts, bags, luggage and wallets, under our Fuguiniao brand. Leather accessories in this line are generally priced between RMB50 to RMB1,500 per piece. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our turnover generated from the sales of Fuguiniao branded products was RMB681.5 million, RMB1,230.2 million, RMB1,394.8 million and RMB694.9 million and RMB830.2 million, respectively, accounting for 63.7%, 74.5%, 72.2% and 76.9% and 76.5%, respectively, of our total turnover for these periods. We own the trademarks related to our Fuguiniao brand.

FGN

In 2012, we launched our FGN brand as our middle to high end brand. With FGN, we offer a range of formal and business casual footwear targeting the urban population aged from 25 to 40. Footwear in this line is generally priced between RMB1,000 and RMB2,800 per pair. For the year ended 31 December 2012 and the six months ended 30 June 2012 and 2013, our turnover generated from the sales of FGN branded products was RMB105.5 million and RMB3.4 million and RMB72.1 million, respectively, accounting for 5.5% and 0.4% and 6.7% of our total turnover. We own the trademarks related to our FGN brand.

AnyWalk

We launched our AnyWalk brand in 2010. Under AnyWalk, we offer a range of middle to high end fashion and casual footwear targeting a fashion-conscious population aged from 16 to 35, catering towards individualistic style of the new generation fashion consumers. Footwear in this line is priced between RMB600 and RMB1,500 per pair. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our turnover generated from the sales of AnyWalk branded products was RMB2.1 million, RMB21.1 million, RMB46.8 million and RMB22.6 million and RMB17.3 million, respectively, accounting for 0.2%, 1.3%, 2.4% and 2.5% and 1.6%, respectively, of our total turnover for these periods. We own the trademarks related to our AnyWalk brand.

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Products sold under our Fuguiniao brand include:

- Men's and women's shoes



- Business casual menswear



- Leather accessories



Products sold under our FGN brand include:

- Men's and women's shoes



Products sold under our AnyWalk brand include:

- Men's and women's shoes



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The following table sets forth the breakdown of our revenues by each brand during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Our Brands										
Fuguiniao	681,458	63.7	1,230,200	74.5	1,394,785	72.2	694,876	76.9	830,182	76.5
FGN	—	—	—	—	105,515	5.5	3,401	0.4	72,143	6.7
AnyWalk	2,062	0.2	21,103	1.3	46,797	2.4	22,630	2.5	17,346	1.6
OEM/ODM Brands	386,570	36.1	400,257	24.2	385,032	19.9	182,212	20.2	164,735	15.2
Total	<u>1,070,090</u>	<u>100.0</u>	<u>1,651,560</u>	<u>100.0</u>	<u>1,932,129</u>	<u>100.0</u>	<u>903,119</u>	<u>100.0</u>	<u>1,084,406</u>	<u>100.0</u>

Honors and Awards

Our Fuguiniao brand, trademarks and products have been highly recognised in the PRC since 1995. The following table sets forth certain key awards and honors we received since our inception:

Award/Honor	Issuance Authority	Date of Issue
1995 National Best-Selling Domestic Commodity Golden Bridge Award (1995 全國暢銷國產商品金橋獎)	Ministry of Internal Trade, State Economic and Trade Commission, China Light Industry Association, China Textile Association, State Bureau of Technical Supervision and two other institutions.	November 1995
China Leather Shoes King (中國真皮鞋王)	China Leather Industry Association	February 1998
Fujian Famous Brand (福建省著名商標) (valid for three years each time of award)	Famous Brand Accreditation Committee of Fujian, Administration for Industry and Commerce of Fujian	November 1998; March 2002; August 2005; September 2008; December 2011
China Well-known Trademark (中國馳名商標)	Trade Mark Bureau of SAIC	January 1999
Certificate of Product Exemption from Quality Supervision Inspection (產品質量免檢證書)	AQSIQ	March 2001; September 2006; December 2007

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Award/Honor	Issuance Authority	Date of Issue
Brand-name Export Commodities with Key Support and Development (重點支持和發展的名牌出口商品) (Third Batch)	Ministry of Foreign Trade and Economic Co-operation (對外貿易經濟合作部)	April 2001
China Top Brand Product (中國名牌產品)	AQSIQ	September 2002; September 2005
Fujian Famous Brand (福建名牌產品)	Fujian Provincial People's Government	May 2005; November 2010
China Leading Leather Shoes King (中國真皮領先鞋王)	China Leather Industry Association	February 2006; April 2009; April 2012
The Most Competitive Brands (最具市場競爭力品牌) (Fuguiniao)	MOFCOM	2006
2008-2009 Fujian International Famous Brand (福建省國際知名品牌)	Fujian Provincial Department of Foreign Trade & Economic Cooperation	September 2008
Year 2011-2013 International Famous Brand to be Fostered and Developed by Fujian Province (福建省重點培育和發展的國際知名品牌)	Fujian Provincial Department of Foreign Trade & Economic Cooperation	December 2011

Products

Our branded products

We offer a wide range of branded products in three categories: footwear, business casual menswear and leather accessories. The table below sets forth our main product types under each of these product categories:

Footwear	Business Casual Menswear	Leather Accessories
Men's leather shoes	Pants	Bags
Men's canvas shoes	Shirts	Wallets
Women's high-heel shoes	Suits	Belts
Women's mid-heel shoes	Jackets	Key cases
Women's low-heel shoes	Woollen sweaters	Luggage
Women's wedge-heel shoes	Cotton-padded clothes	
Women's flat shoes	Wind breakers	
Boots	Leather clothes	
Sandals	Coats	

Our OEM/ODM products

In addition to manufacturing and selling footwear under our own brands, we also accept orders to manufacture a wide range of footwear with various designs for all seasons on an OEM or ODM basis for certain overseas footwear brands, including “BLONDO”, “COVANI” and “CONNI” and certain domestic footwear brands. Since we manufacture most of our OEM/ODM products for overseas customers, such products are usually exported. For the years ended 31 December 2010 and 2011, we had 23 and 18 OEM/ODM customers, respectively. For the year ended 31 December 2012, we had 20 OEM/ODM customers, including 12 from Europe, two from North America and four from the PRC. For the six months ended 30 June 2013, we had 14 OEM/ODM customers, with ten from Europe, one from North America and three from the PRC.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, turnover generated from the sales of OEM/ODM products was RMB386.6 million, RMB400.3 million, RMB385.0 million and RMB182.2 million and RMB164.7 million, respectively, representing 36.1%, 24.2%, 19.9% and 20.2% and 15.2%, respectively, of our total turnover for these periods.

SALES AND DISTRIBUTION

Based on our business models, we sell (i) branded products under our own brands and (ii) products manufactured for our OEM/ODM customers. During the Track Record Period, sales of our branded products represented the majority of our total turnover.

Branded Product Sales

General

We sell our branded products through our network of distributors and certain direct sales channels. We primarily sell our branded products on a wholesale basis to our distributors, who then sell them to end customers through retail outlets they operate or which are operated by third-party retailers with whom they contract. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, turnover from sales to our distributors accounted for approximately 57.3%, 73.2%, 72.1% and 76.9% and 71.0%, respectively, of our total turnover.

We also sell our products directly to end customers through proprietary outlets we operate. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, turnover from sales through our proprietary outlets accounted for approximately 6.2%, 1.4%, 4.6% and 1.0% and 10.6%, respectively, of our total turnover. In addition, we sell our products through other direct sales channels, including direct large-scale institutional purchases and online sales. Large-scale institutional purchases are purchases made by large PRC institutions or government entities directly from our headquarters. We are usually selected as the supplier for such large institutions or government entities via a bidding process. We also sell our products through third-party e-commerce platforms such as *www.tmall.com* and *www.360buy.com*.

To increase our sales, we plan to add additional retail outlets in our sales network, including those operated by our distributors and third-party retailers and those we operate directly, by approximately 1,600 by the end of 2015. The majority of such new retail outlets will be owned and operated by our distributors or third-party retailers. However, in order to

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widen our sales channels and enhance our brand image, which we believe is better realized through the proprietary outlets we directly control and operate, we also plan to open 300 to 400 new proprietary outlets by the end of 2015. For further details of our expansion plans, please see “– Sales and Distribution – Branded Product Sales – Expansion Plan” and “Future Plans and Use of Proceeds”.

The table below sets out a breakdown of our turnover through different channels during the Track Record Period:

Channel	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Distributors	613,364	57.3	1,208,986	73.2	1,392,784	72.1	694,584	76.9	770,115	71.0
Proprietary outlets . .	66,635	6.2	22,166	1.4	88,020	4.6	8,901	1.0	115,369	10.6
Large-scale institutional purchases	3,521	0.4	12,203	0.7	28,269	1.4	4,855	0.5	9,826	0.9
Online sales	–	–	7,947	0.5	38,024	2.0	12,568	1.4	24,361	2.3
OEM/ODM customers	386,570	36.1	400,258	24.2	385,032	19.9	182,211	20.2	164,735	15.2
Total	1,070,090	100.0	1,651,560	100.0	1,932,129	100.0	903,119	100.0	1,084,406	100.0

Retail network for our branded products

We distribute our branded products through an extensive nationwide retail network consisting of 3,195 retail outlets across 31 provinces, autonomous regions and municipalities in the PRC as at 30 June 2013. Among them, 1,259 retail outlets were owned and operated by our distributors, 1,702 retail outlets were owned and operated by third-party retailers and the remaining 234 outlets were operated by us. As at 30 June 2013, of our 3,195 retail outlets, 2,104 were department store outlets and the remaining were stand-alone stores.

We leverage the local knowledge and expertise of our distributors and their third-party retailers to primarily penetrate and explore the markets in Tier 2 to Tier 4 cities in the PRC. As at 30 June 2013, we had 60 distributors in the PRC, all of whom were Independent Third Parties. We have working relationships of ten years or more with 22 of these distributors.

We believe that distributing our products through our distributors' network has enabled us to (i) expand the geographical coverage of our products and increase our market share at lower costs and a faster growth rate; and (ii) enhance our brand recognition throughout the PRC.

In recent years, we have also begun focusing on operating our own proprietary outlets in several Tier 1 and other major cities to enhance our brand image through high quality store decoration and rack displays as well as superb customer service, which we believe are vital to our reputation and strategic growth of our business as a whole. Among the 233 proprietary outlets operated by us as at the Latest Practicable Date, seven were stand-alone stores and 226 were department store outlets.

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The following table sets forth the number of retail outlets operated by us, our distributors and third-party retailers by sales channel during the Track Record Period:

Sale Channels	As at 31 December			As at 30 June
	2010	2011	2012	2013
Retail outlets operated by our distributors and third-party retailers	1,815	3,026	2,999	2,961
Proprietary retail outlets . . .	5	5	232	234
Total	1,820	3,031	3,231	3,195

We once operated as many as 152 proprietary retail outlets during 2010. In connection with our strategy to focus on the areas we believe were more strategic to our operations at the time, we subsequently allowed the contracts of 147 of these proprietary outlets with the department stores where they were located to expire throughout the course of 2010. Certain of our independent distributors subsequently assumed the operations of some of these retail outlets by entering into new contracts with the department stores where they were located. The following tables sets for the movement of our proprietary retail outlets during the Track Record Period.

	2010			2011			2012			2013		
	Opened	Closed	As at 31 December 2010	Opened	Closed	As at 31 December 2011	Opened	Closed	As at 31 December 2012	Opened	Closed	As at 30 June 2013
Number of proprietary retail outlets. .	1	147	5	-	-	5	231 ⁽¹⁾	4	232	8 ⁽²⁾	6	234

Notes:

- (1) Includes 205 proprietary outlets out of the 208 proprietary outlets whose operations we took over from the Related Distributor beginning in July 2012.
- (2) Includes three remaining proprietary outlets out of the 208 proprietary outlets whose operations we took over from the Related Distributor beginning in July 2012.

The following table sets forth the number of retail outlets operated by us, our distributors and third-party retailers by type during the Track Record Period:

Product Type	As at 31 December			As at 30 June
	2010	2011	2012	2013
Department store outlets . . .	1,384	1,960	2,144	2,104
Stand-alone stores	436	1,071	1,087	1,091
Total	1,820	3,031	3,231	3,195

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The retail outlets in our sales and distribution network are categorized into footwear outlets and menswear outlets based on the primary products they sell. The following table sets forth the number of retail outlets operated by us, our distributors and third-party retailers by product during the Track Record Period:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
Footwear	1,820	2,274	2,412	2,336
Menswear	–	757	819	859
Total	1,820	3,031	3,231	3,195

The following table sets forth the number of distributors and retail outlets operated by us, our distributors and third-party retailers by region in the PRC during the Track Record Period:

PRC Regions	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	No. of Retail Outlets ⁽¹⁾	No. of Distributors ⁽²⁾	No. of Retail Outlets ⁽¹⁾	No. of Distributors ⁽²⁾	No. of Retail Outlets ⁽¹⁾	No. of Distributors ⁽²⁾	No. of Retail Outlets ⁽¹⁾	No. of Distributors ⁽²⁾
Northeastern PRC.	182	5	321	7	382	7	377	7
Northern PRC.	436	6	641	10	690	11	682	11
Eastern PRC	510	15	804	17	861	17	838	17
Central Southern PRC.	374	9	602	14	621	12	611	12
Northwestern PRC	92	2	232	4	260	5	261	5
Southwestern PRC	226	3	431	8	417	8	426	8
Total	1,820	40	3,031	60	3,231	60	3,195	60

Notes:

- (1) The number of retail outlets refer to retail outlets operated by us directly, and by our distributors and third-party retailers.
- (2) The number of distributors are categorised in accordance with their locations.

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The following map illustrates the geographical distribution of the retail outlets operated by us, our distributors and third-party retailers in the PRC as at 30 June 2013:



There is no overlapping of distributors within our distribution network since each distributor is only permitted to sell authorised products under designated brands within its respective Distribution Region. Given the growing market for footwear and menswear in the PRC, we believe there is the potential for significant expansion of business within these distribution areas. Therefore, we do not believe that there is any over-concentration of retail outlets within our distribution network.

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The following table sets forth a breakdown of our turnover generated from the sales of our own branded products at our proprietary outlets and through retail outlets operated by our distributors and the corresponding percentage of our turnover by regions in which our proprietary outlets and retail outlets operated by our distributors are located in the PRC during the Track Record Period.

PRC Region	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Northeastern										
PRC	77,582	11.4	104,720	8.5	108,933	7.4	44,960	6.4	66,506	7.5
Northern PRC	136,572	20.1	282,204	22.9	340,462	23.0	170,206	24.2	169,573	19.2
Eastern PRC	173,423	25.5	337,360	27.4	366,122	24.7	172,327	24.6	235,811	26.6
Central										
Southern										
PRC	169,495	24.9	241,880	19.6	356,151	24.1	157,203	22.3	226,389	25.6
Northwestern										
PRC	25,049	3.7	41,945	3.4	59,511	4.0	27,752	3.9	39,393	4.4
Southwestern										
PRC	97,878	14.4	223,043	18.2	249,625	16.8	131,037	18.6	147,812	16.7
Total	679,999	100.0	1,231,152	100.0	1,480,804	100.0	703,485	100.0	885,484	100.0

During the Track Record Period, our turnover was largely driven by the number of retail outlets in our distribution network and the average sales at each retail outlet. For example, for the years ended 31 December 2011 and 2012, we added 1,211 and 200 new retail outlets, respectively. We added more retail outlets in 2011 primarily due to the fact that we began selling our menswear products in May of that year. Our distributors generally place orders with us based on their sales forecast and their existing inventory levels, which were generally in line with the increased sales during the Track Record Period. We recognise the importance of tracking the inventory levels at our distributors more closely, therefore, we intend to utilise 10% of the total proceeds from the Global Offering to, among other things, enhance our information systems, including an ERP system and a DRP system.

Expansion plan

According to Frost & Sullivan, the footwear and menswear markets in the PRC have experienced significant growth since 2007. From 2007 to 2012, the retail revenue for the PRC footwear and menswear markets grew at a CAGR of 13.7% and 15.3%, respectively, and the per capita consumption for footwear and menswear products in the PRC increased at a CAGR of 13.2% and 14.5%, respectively. To take advantage of the growth in the industries in which we operate and to meet the growing demand for our products, we have significantly increased the number of retail outlets in our distribution network from 1,820 as at 31 December 2010 to 3,195 as at 30 June 2013. In addition, the sales volume of our footwear products increased from 6.2 million pairs for the year ended 31 December 2010 to 7.8 million pairs for the year ended 31 December 2012, and from 3.9 million pairs for the six months ended 30 June 2012 to 4.4 million pairs for the six months ended 30 June 2013, whereas the sales volume of our business casual menswear products increased from 1.9 million pieces for the year ended 31 December 2011 to 2.8 million pieces for the year ended 31 December 2012, and from 1.4 million pieces for the six months ended 30 June 2012 to 1.5 million pieces for the six months ended 30 June 2013. Accordingly, we aim to continue to expand our sales network by opening approximately 1,600 retail outlets by the end of 2015 to meet the increasing demand of our footwear and menswear products and to expand our business operations.

As part of this expansion plan, we aim to open 1,200 to 1,300 retail outlets to be operated by our distributors and 300 to 400 proprietary outlets to be operated directly by ourselves, which will include integrated stores, flagship stores, image stores and standard

retail outlets. Whether a new retail outlet in our expansion plan will be operated directly by ourselves will be determined by us based on a number of factors, including, but not limited to, whether (i) the location of the new proprietary outlet is within close proximity to our existing proprietary retail outlets so we can maximize our management synergy; (ii) the city, where the new proprietary outlet will be located, can promote the sales of our distributors in the neighboring areas; and (iii) the rent for the new retail outlet space will be too high and cost-prohibitive for our distributors. With respect the new proprietary retail outlets, we anticipate purchasing the buildings outright for approximately 10% of the new proprietary outlets and lease the premises for the remainder of the retail outlets.

We expect to complete our expansion projects by the end of 2015. We currently anticipate that the proceeds from the Global Offering will be sufficient to complete the opening of approximately 920 retail outlets, with the opening of remaining outlets to be funded by cash generated from our operations and/or bank borrowings.

Retail outlets to be operated by our distributors

Of the 1,200 to 1,300 new retail outlets to be operated by our distributors in the PRC, we anticipate approximately 70% will be footwear and/or leather accessory outlets and the remaining 30% will be menswear outlets. In the six months ending 31 December 2013 and each of the years ending 31 December 2014 and 2015, we estimate we will add approximately 125, 550 and 605 outlets to our retail distribution network, respectively. A substantial majority of the new footwear retail outlets to be operated by our distributors will be located in Tier 2, Tier 3 and Tier 4 cities in Central Southern PRC, Northern PRC and Eastern PRC, whereas most of the new distributor-operated menswear retail outlets will be located in Tier 2, Tier 3 and Tier 4 cities in Central Southern PRC, Northern PRC, Eastern PRC and Southwestern PRC.

We intend to provide assistance to our distributors with respect to the new retail outlets to be operated by them, including, among other things, providing guidance on store location selection, purchasing display racks, lighting fixtures and marketing materials (including posters and billboards) for these outlets, reviewing operating plans and renovating/decorating such outlets. For certain distributors who have limited capacity or resources to manage newly opened retail outlets, we intend to provide on-site sales and marketing and operational instructions and support to these outlets through our growing team of highly skilled professionals. We estimate that the average financial assistance to be provided to each new retail outlet to be operated by our distributors will be approximately RMB76,000. We intend to utilise approximately 10% of the proceeds from the Global Offering in connection with such financial assistance. Our distributors are not required to reimburse us for any financial assistance we provided for the new retail outlets.

Proprietary retail outlets

We plan to open approximately 25, 150 and 145 proprietary outlets in the six months ending 31 December 2013 and each of the years ending 31 December 2014 and 2015, respectively. Approximately 90% of such proprietary outlets will sell footwear products and the remainder will sell menswear products. We will open these proprietary outlets primarily in Tier 1, Tier 2 and Tier 3 cities across the PRC, including Beijing, Shanghai, Tianjin, Chengdu, Fuzhou and Wuhan, where we believe are strategic to building our brand image and growing our business operations. These proprietary outlets will include approximately three integrated stores, 20 flagship stores and 65 image stores, in addition to standard retail outlets. We currently estimate that we will purchase buildings for approximately 10% of

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these proprietary retail outlets and lease real properties for the remaining retail outlets. We determine whether to purchase or lease the premises based on a number of factors, including, among other things, the strategic importance of the location, the current estimated sales volume of our products in the short term and the expected time and return of our investment. It is our expectation that approximately 35% of the proceeds from the Global Offering will be used to purchase and lease the premises for our new proprietary retail outlets.

We estimate that the average initial cost for each retail outlet with purchased premises will be approximately RMB6.8 million, including a capital expenditure for the purchase of premises of approximately RMB6.5 million. For years ending 31 December 2013, 2014 and 2015, we estimate total capital expenditure for our proprietary retail outlets with purchased premises to be approximately RMB Nil, RMB85.0 million and RMB110.0 million, respectively. We estimate that the average initial cost for each retail outlet with leased premises will be approximately RMB420,000, including a capital expenditure for display racks and decoration of approximately RMB200,000. For the years ending 31 December 2013, 2014 and 2015, we estimate total capital expenditure for our proprietary retail outlets with leased premises to be approximately RMB5.9 million, RMB27.2 million and RMB25.2 million, respectively. Average breakeven point for proprietary retail outlets is estimated to be approximately RMB700,000 per store in terms of annual turnover and payback periods for all proprietary retail outlets as a whole is estimated to be four and half years.

The foregoing represents our expansion plan formulated on the basis of the current market and operating conditions, our estimated production capacity and forecasted customer demand as of the date of this prospectus, and may be subject to changes and adjustments as our Directors believe necessary and appropriate to expand our sales network. Please see “Risk Factors – We may not be able to maintain our growth or manage our expansion effectively”.

Distribution

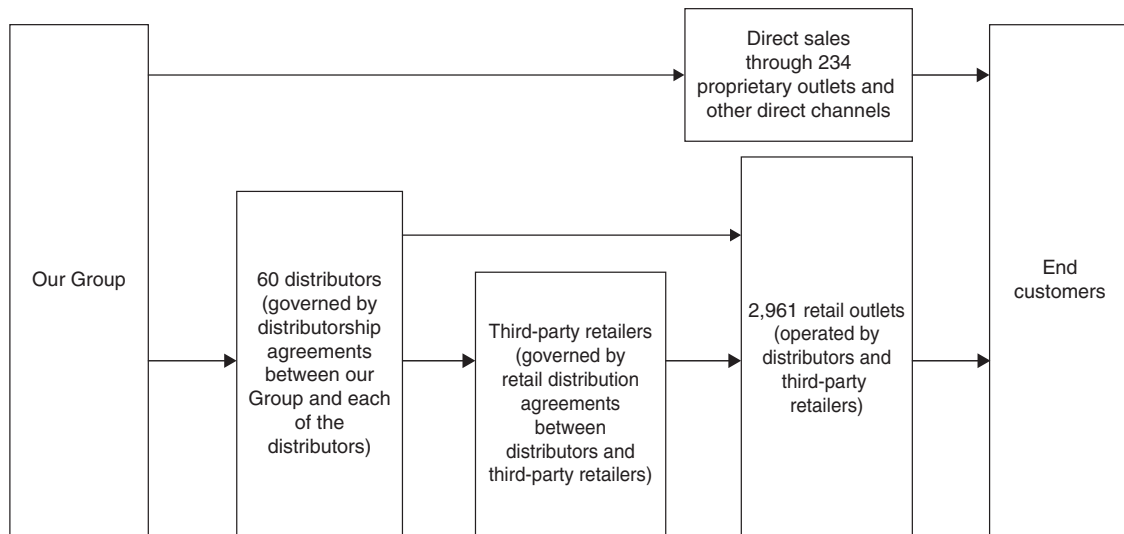
We employ a distribution model commonly used by brand owners in China. We sell most of our branded products through our distributors in their Distribution Regions as we believe this allows us to distribute our products to more geographical regions in the PRC and penetrate markets more quickly and effectively by leveraging the local market knowledge of our distributors and third-party retailers. This business model reduces inventory and sales risk to our Group and allows us to focus on our core competitive strengths of brand management and product development.

We recognise turnover from the sales of goods to our distributors when they take possession of our goods. During the Track Record Period, we did not experience any sales returns from our distributors.

We enter into one-year distributorship agreements with each of our distributors which are reviewed and renewed annually by agreement of the parties. We manage our distributors solely through such distributorship agreements and we do not have any other direct control over them. If any of our distributors breaches its respective distributorship agreement, our results of operation may be adversely affected. For further details, please see “Risk Factors – We rely on a small number of distributors for the sale of our products and our failure to renew distributorship agreements with our major distributors or any breach of such distributorship agreement by them may materially and adversely affect our results of operation”. Distributors are permitted to sell authorised products to end customers through the retail outlets they operate or which are operated by third-party retailers.

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The following diagram illustrates the relationship among our Group, our distributors and third-party retailers, retail outlets and end customers as at 30 June 2013:



Criteria for selection of distributors

We strategically select our distributors based on the following conditions:

- number and quality of sales channels, local recognition and social resources;
- operation and management experience in the footwear and menswear industry; and
- financial strength.

Reasons for terminating distributorships

We terminated distributorship agreements with certain of our distributors during the Track Record Period for the following reasons:

- reorganisation of our distribution network – some of our distributors, whose Distribution Regions were comparatively small or whose sales performance were unsatisfactory to our standards, were downgraded by us to become third-party retailers authorised by our other distributors, or were terminated completely and their respective Distribution Regions were merged into the Distribution Regions of our other distributors;
- changing the operating entities of the distributors – some of our distributors changed their operating entities based on their own business judgment and accordingly, we terminated the distributorship agreements with the original operating entities and entered into distributorship agreements with the new ones; and
- termination of distributorship agreements based on our judgments of our existing and future business needs.

Distributorship agreements

We enter into one-year distributorship agreements with each of our distributors which are reviewed and, at the discretion of the contractual parties, renewed annually. Under the distributorship agreements, our distributors are authorised to sell specific products under

one or more of our brands within a specified Distribution Region. Distributors are permitted to sell authorised products to end customers via their own retail outlets or through third-party retailers who sell our products to end customers through retail outlets they operate. Distributors are also required to comply with uniform standards in respect of, among other things, store location, decoration, displays, marketing activities and daily operations as decided by us from time to time or as set out in our retail outlet operation rules. If a distributor fails to comply with certain material clauses in the relevant distributorship agreement relating to its qualification as our distributor, we have the right to terminate the agreement.

The distributorship agreements we enter into with our distributors generally include the following principal terms:

- Distribution restriction – Each distributor is authorised to sell our products under one or several brands within a specific Distribution Region. Distributors are not allowed to sell products manufactured by other companies that compete with our products. Without our prior written approval, distributors are not allowed to sell our products online.
- Minimum purchase targets – Each distributor must commit to minimum purchase targets of our products when they enter into the distributorship agreement with us each year.
- Retail model – Distributors may sell our products through the retail outlets they operate or which are operated by third-party retailers with whom they contract.
- Opening new retail outlets – Distributors are required to come up with detailed expansion scheme and increase retail outlets within its Distribution Region in accordance with our market expansion plan. Distributors are required to obtain our written approval prior to their or third-party retailers' opening any new retail outlets, including our approval in respect of the location and decoration of such new retail outlets.
- Restrictions on authorising third-party retailers – Distributors are required to obtain our prior written approval before authorising any third-party retailers to sell our products. Distributors are required to ensure third-party retailers abide by the terms of the distributorship agreements and any breach thereof will be treated as a breach by such distributors.
- Pricing policy – We set up suggested price ranges for our footwear products and suggested retail prices for our menswear products and leather accessories. Our distributors and third-party retailers are required to sell our products within the applicable price ranges. In limited circumstances, our distributors may sell our products at a price outside the suggested price ranges with our written consent.
- Payment and products delivery – We grant our distributors certain credit limits and payment periods of up to 90 days. Products are delivered from our factories to the warehouses of our distributors and our distributors bear the relevant cost, insurance and risks.
- Return policy – Our distributors are asked to conduct quality checks upon receipt of our products and may return defective goods to us if notice of complaint about the defects is given within seven days. Unless the products we sold are defective, we generally do not allow any returns by our distributors.

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- Trademark license – We authorise our distributors and their authorised third-party retailers to use our registered trademarks, Fuguiniao, FGN and AnyWalk, in connection with their relevant sales and marketing activities.
- Sales and inventory reports – Our distributors are required to provide us with sales reports and inventory reports on behalf of themselves and third-party retailers regularly and/or upon our request.
- Duration – The agreements generally have a term of one year and are subject to annual renewal by agreement of the parties.

Effective monitoring of our distributors and their retail outlets is critical to our success. We have a dedicated team to monitor the performance of our distributors and third-party retailers. Under the distributorship agreements, we have the right to require our distributors to provide us with (i) weekly sales reports reflecting information on the top 20 best selling products within their Distribution Regions to help us understand the latest market trends and arrange our production accordingly and (ii) quarterly inventory reports for themselves and third-party retailers to allow us to monitor their overall sales. Each of our distributors is subject to an annual review of its retail expansion status, credit and payment history, purchase amount and compliance with our operating standards.

Each year, we negotiate with our distributors a minimum purchase target before renewing the distributorship agreements. This requirement is set up mainly for our budget planning purposes. Failure to meet the minimum purchase target will not subject a distributor to any adverse consequences, except that we have the discretion not to renew the relevant distributorship agreement. We encourage distributors to meet such targets by providing them with advertisement support or subsidies in connection with their opening of new retail outlets and free display racks for those who meet their targets.

We manage our distributors only through distributorship agreements and we do not have any other direct control over them. We do not have direct contractual relationships with third-party retailers engaged by our distributors and only have limited control over the retail outlets operated by our distributors or third-party retailers. However, we are able to exert a certain degree of influence over them through the terms of our distributorship agreements. For example, our distributors are contractually required to ensure that any third-party retailers they authorise comply with the terms set out in the distributorship agreements they enter into with us and they are required to obtain our approval before authorising any such third-party retailers. If any third-party retailer breaches any terms under the relevant distributorship agreement, the distributor that authorised it would be responsible for such breach to us.

Management of distributors' and third-party retailers' retail outlets

All of the retail outlets operated by our distributors and third-party retailers are required to exclusively sell our products. To provide uniform, quality services across our retail network, we set out in our operations manual uniform standards for, among other things, store decoration and displays, marketing activities and daily operations for our distributors and third-party retailers, and we require our distributors and their third-party retailers to obtain our approval for the final location of each retail outlet.

To further implement our retail policies, we conduct random on-site inspections at individual retail outlets to ensure that the decorations, displays and retail prices in each retail outlet comply with our requirements. Through these inspections and visits, we seek to

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ensure that the terms and conditions of the distributorship agreements are being complied with throughout our distribution network. We identify and inform distributors of any non-conforming individual retail outlets and require them to rectify the problems within a certain period of time. We also require our distributors to conduct regular site visits to the retail outlets operated by third-party retailers they have authorised to check whether our operating standards are being followed. In addition, third-party retailers and/or their store managers visit our Group from time to time, particularly during the trade fairs and exchange first-hand local market information and trends with us. We believe this system of uniform operating standards and periodic checks and visits helps us to ensure all retail outlets are efficiently operated and provide a pleasant experience to our retail customers. We are not aware of any breach of our retail policies by the retail outlets operated by our distributors and third-party retailers during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth the breakdown and movement of our distributors during the Track Record Period.

	As at 1/1/2010	Engaged	Expired/ Terminated	As at 31/12/2010	Engaged	Expired/ Terminated	As at 31/12/2011	Engaged	Expired/ Terminated	As at 31/12/2012	Engaged	Expired/ Terminated	As at 30/06/2013
Number of Distributors .	32	14	6	40	22	2	60	7	7	60	3	3	60

The number of our distributors increased significantly in 2011 primarily because we began selling Fuguiniao brand menswear products ourselves during the year, and engaged 17 new menswear distributors to sell such products.

Customer Service

We provide various services to distributors and their authorised third-party retailers free of charge. We provide certain qualified retail outlets with whom we maintain good working relationships free product brochures, goods racks and other display equipment catering to market trends and our product marketing plan. We also conduct brand promotion activities regularly and assist our distributors with their sales and marketing efforts.

We also provide training for our distributors and third-party retailers in the areas of retail strategies, management, customer service, product knowledge, inventory management, product display and market trends during the trade fairs. We also organise on-site training programmes for key distributors and third-party retailers several times a year pursuant to their needs and requirements. We believe that these investments help to improve the operations of our retail network and provide the added benefit of motivating our distributors and third-party retailers.

Upon receiving weekly best sellers' lists submitted by our distributors, we will analyse and compile a list of the most popular products which we subsequently circulate to our distributors. Such information exchange enables our distributors to be informed of products that are selling very well in other regions that they might not have ordered during the trade fairs and provide them with opportunities to place supplemental orders with us.

In respect of our return of goods policy, our distributors are asked to conduct quality checks upon receipt of our products and may exchange defective goods with us or require us to repair such defective goods if notice of complaint about the defects is given within seven days. Distributors are deemed to have considered the goods as satisfactory in the absence of any such complaint. Our distributors are generally not allowed to return goods to us once they have been accepted.

Our retail outlets provide standard product warranties to our end customers as required under the PRC Product Quality Law, the PRC Consumer Rights and Interests Protection Law and other relevant rules and regulations. An end customer can return products to our retail outlets within seven days after the purchase if the product is defective. Occasionally, retail outlets may, on a case-by-case basis, allow return of goods even after the seven days period has expired. Footwear retail outlets generally provide repair services for footwear products that have minor defects. Footwear products with major defects will be shipped back to us and repair will be handled by us. If any footwear products cannot be repaired, we will arrange for either a full refund if a product is returned by the end customer within one month from the date of sale, or 50% refund if the product is returned between one and three months after the date of sale. During the Track Record Period, we did not make any provision for product warranty primarily because refund requests for most of our defective footwear and menswear products were handled within three months after the respective date of sale and consequently, we did not consider provision to be necessary. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant refund after the sale that would be materially adverse to our results of operations and financial condition.

Trade fairs

We hold national trade fairs in March, May, September and October each year for the autumn, winter, spring and summer collections of our Fuguiniao and FGN branded footwear and Fuguiniao branded leather accessories, and in April and September each year for the autumn/winter and spring/summer collections of our AnyWalk branded footwear and Fuguiniao branded menswear, such trade fairs are attended by our existing or potential distributors, as well as for certain third-party retailers and retail store managers. Our distributors can place orders with us directly and third-party retailers and retail store manager can place orders through our distributors. Our national trade fairs generally take place in Shishi City at our headquarters or in hotels of Shishi City or surrounding cities such as Xiamen. During these meetings, we introduce latest fashion trends to the participants, arrange fashion shows of our seasonal collections and organise training for our distributors. The national trade fairs often last for a week. One to two weeks after such national meeting concludes, we may hold regional trade fairs in selected regions as required by our distributors. During such trade fairs, we seek and obtain feedback on local fashion trends and market demand which allows us to further enhance our product design and adjust our merchandising strategy. Our distributors place orders in accordance with their expectation of demand with respect to each product. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, the orders we received at these trade fairs constituted 64.7%, 56.0%, 64.3% and 58.6% and 62.0%, respectively, of our total orders for each of these years. We believe that booking the majority of sales in advance at trade fairs provides us with a large degree of visibility of demand and allows us to efficiently utilise our production capacity and third-party subcontractors, respond quickly to market demand and manage our inventory more efficiently.

As advised by our PRC legal adviser, any purchase order placed by our distributors and accepted by us at the trade fairs is legally binding between them and us and we are entitled to sue the distributors under PRC laws for breach of contract if the distributors do not fulfill their obligations. During the Track Record Period, our distributors did not cancel any orders that they placed with us and we did not sue any distributor for breach of contract.

Pricing strategy

We sell our branded products to all of our distributors at wholesale prices. Based on the cost of design, raw material and production costs and prevailing market conditions, among other things, we set up suggested price ranges for our footwear products to be sold

to retail consumers and suggested retail prices for our menswear products and leather accessories by displaying the price on the tags we attach to such products. In limited circumstances, our distributors may sell our products at a price outside the suggested price ranges with our written consent. We may adjust such suggested price ranges and suggested retail prices from time to time. Distributors are required to, and additionally must ensure that their third-party retailers, sell our products at a price within the suggested price ranges for our footwear products and leather accessories or at suggested retail prices for our menswear products, as applicable. In the first half of 2013, the suggested prices of our footwear products and leather accessories ranged from RMB400 to RMB2,800 and RMB50 to RMB1,500, respectively, and the suggested retail prices for our menswear products ranged from RMB300 to RMB1,500. We have limited control over the prices at which our distributors or customers are willing to purchase our products as prices are driven mainly by economic factors such as demand and supply. Distributors and third-party retailers have discretion, with our prior approval, to determine their own discounted prices to promote products or clear slow-moving or out-of-season items. Our PRC legal adviser, Zhong Lun Law Firm, is of the view that our requirement for distributors to sell our products at the suggested price ranges would not constitute a breach of the PRC Anti-monopoly Laws.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, the average sales price for our footwear products was RMB170.95, RMB179.68, RMB193.36 and RMB179.07 and RMB199.19, respectively, the average sales price for our menswear products was RMB Nil⁽¹⁾, RMB140.03, RMB150.67 and RMB146.20 and RMB135.73, respectively, and the average sales price for our leather accessory products was RMB261.86, RMB307.04, RMB37.66 and RMB36.07 and RMB97.15, respectively. The above average sales price figures were in relation to the sales of our products to both distributors and via direct sales channels.

Payment terms and credit policy

Our distributors receive invoices within one month after our products are delivered. We recognise turnover from the sales of goods to our distributors when they take possession of our goods. According to our internal policies, we generally grant our distributors credit limits and payment periods of no longer than 90 days based on their annual purchase targets, credit history and historical sales performance. We require our distributors to comply with our credit policy and our finance and sales departments carry out regular reconciliations of outstanding balances. Our management team monitors our receivable balances on an ongoing basis and will make appropriate assessment on a timely basis as to whether or not a bad debt provision will need to be made. For details of our policy on provision for bad debt, please see “Financial Information – Trade and Other Receivables” in this prospectus.

Direct Sales

Proprietary outlets

As at 30 June 2013, we operated 234 proprietary retail outlets in the PRC, including department store outlets and stand-alone stores, and in the six months ended 30 June 2013, approximately 10.6% of our total turnover was generated from the sales made through these outlets. These proprietary outlets are concentrated in Tier 1 and other major cities that we consider vital to the enhancement of our brand image and the strategic growth

¹ We began to sell our menswear products in May 2011.

of our business as a whole, and that have the most competitive markets or in areas where the distributors lack the capacity to explore local markets. Turnover from our proprietary outlets in aggregate accounted for approximately 6.2%, 1.4%, 4.6% and 1.0% and 10.6%, respectively, of our total turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013. As we believe our proprietary outlets help to establish our brand image and keep us well informed on changes in local market trends and demands, we gradually took over the operations of 208 department store outlets beginning in July 2012 from the eight companies comprising our largest distributor during the Track Record Period (the “**Related Distributor**”), which have an average of five years of relationship with us, before and after they were sold to several Independent Third Parties. In connection with the takeover, we entered into new contracts with the relevant department stores where the 208 retail outlets were located after their then-existing contracts with such department stores have expired or were terminated by the Related Distributor. For further details, please see “– Major and Related Customers”. As at the Latest Practicable Date, all of our proprietary retail outlets were located in Beijing, Tianjin, Shanghai, Chongqing, Wuhan, Changsha, Chengdu, Xi’an, Hangzhou, Fuzhou, Quanzhou and Shishi. In the future, we plan to open additional proprietary outlets across the country, especially in other major cities. For details of our plan on opening more proprietary outlets, please see the sub-section “– Our Business Strategies – Further strengthen and expand our sales and distribution network” in this prospectus.

Large-scale institutional purchases

In 2002, we began to sell our products through large-scale institutional purchase channels to certain large PRC enterprises, governmental and other entities so as to largely provide customised footwear and menswear products pursuant to their design specifications and requirements. Our target customers include governmental departments such as police offices, industry and commerce administration bureaus, tax bureaus and road management bureaus as well as certain large businesses such as petrol companies and airlines. We obtain most of our large-scale institutional purchase orders via bidding process according to the relevant PRC laws. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, we had turnover of approximately RMB3.5 million, RMB12.2 million, RMB28.3 million and RMB4.9 million and RMB9.8 million, respectively, attributable to sales of our branded products via large-scale institutional purchases, representing 0.4%, 0.7%, 1.4% and 0.5% and 0.9%, respectively, of our total turnover. As the products we sold through large-scale institutional purchases are sold directly to our clients and not through our distributors or through retail stores operated by us, we normally obtain higher gross profit margin from these products. We plan to further expand our large-scale institutional purchase team and we estimate that our turnover from large-scale institutional purchase will increase in the future.

Online sales

Since 2011, a small percentage of our branded products has been sold via third-party online shopping platforms. For the years ended 31 December 2011 and 2012, and the six months ended 30 June 2012 and 2013, turnover of approximately RMB7.9 million, RMB38.0 million and RMB12.6 million and RMB24.4 million, respectively, was attributable to sales of our branded products via the Internet. These sales represented approximately 0.5%, 2.0% and 1.4% and 2.3%, respectively, of our total turnover for the same periods. We have opened our flagship online store at www.tmall.com and have entered into strategic cooperation relationships with www.360buy.com, www.yihaodian.com, www.coo8.com, www.okbuy.com, www.meituan.com and other e-commerce platforms. The products we sell

online are specially designed and differ from our offline products in style and design. They are normally less complicated in style and more reasonable in price to cater to the online shopping demographic. Although our gross profit margin through online sales tend to be lower than those through other sales channels, we believe it is an important channel to build up our brand image and gain access to end customers that are not sufficiently covered by other sales channels. In addition, we believe online shopping will become increasingly important in China in the future and our turnover from online platforms will increase.

OEM/ODM Sales

We started manufacturing women's footwear for certain overseas footwear companies on an OEM or ODM basis in 2000. We have also produced footwear for certain domestic apparel companies which expanded their product offerings into men's footwear on an ODM basis since 2010. Our turnover from products manufactured on an OEM or ODM basis for third-party companies for the years ended 31 December 2010, 2011 and 2012, and the six months ended 30 June 2012 and 2013 was approximately RMB386.6 million, RMB400.3 million, RMB385.0 million and RMB182.2 million and RMB164.7 million, respectively, accounting for 36.1%, 24.2%, 19.9% and 20.2% and 15.2%, respectively, of our total turnover.

We generally obtain OEM/ODM orders through marketing campaigns and by participating in or attending international footwear exhibitions or expositions. We generally sell our OEM/ODM products to our OEM/ODM customers directly. We do not have long-term purchase commitments with our OEM/ODM customers, and our sales are made on the basis of individual purchase orders. Our top five OEM/ODM customers for the years ended 31 December 2010, 2011 and 2012, and the six months ended 30 June 2012 and 2013 were companies that primarily engaged in the production, distribution or sale of footwear and other fashion products, and trading companies that traded in footwear and other products. Our customers include domestic fashion menswear producers as well as overseas footwear brands, including "BLONDO", "COVANI" and "CONNI".

We believe this business segment keeps us up-to-date on new fashion trends and production technologies globally as well as providing us opportunities to improve our management efficiency and product quality. In order to continue to improve our overall production efficiency and diversify our customer basis, we intend to maintain a significant OEM/ODM manufacturing business in the future. Our OEM/ODM manufacturing business will continue to focus on customers with which we have established long-term relationships.

Unlike the products we sell to large-scale institutions, which comprise customised footwear and menswear products, the products we sell to our OEM/ODM customers comprise only footwear products. With respect to our pricing policy, normally, large-scale institution purchase orders are obtained via bidding processes, which are highly competitive and we are generally required to set our prices within the bidding price range determined by our customers. For our OEM/ODM orders, we generally have more pricing flexibility, and higher capability to negotiate with our customers, based on an established history of stable product quality and timely delivery. Cost structures for both business segments are similar.

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For the export sales of our products to overseas customers on OEM/ODM basis, our Company considers that the compliance with the local laws and regulations in jurisdictions where we export such products is not directly applicable to us as:

- although we export products to regions including the North America, East Asia, Europe and Russia, we do not have any local operation in these regions. In addition, we export products to such overseas customers based on OEM/ODM basis and the risks and responsibilities associated with the exported products generally pass to the overseas customers when such products pass the ship's rail at the port of shipment and such overseas customers are generally responsible for compliance with the local laws and procedures (including import clearance and local standards relating to security, hygiene, technology, environmental protection, product quality and safety assurance, consumer protection, etc.), while we are not legally obligated to comply with local laws and regulations once our products enter into overseas markets after they have been cleared for export from the PRC;
- as long as our Group is in compliance with applicable PRC laws and regulations and obtains the requisite product certifications and complies with the applicable export laws and regulations in the PRC, we can legally export our products. According to our PRC legal adviser, Zhong Lun Law Firm, during the Track Record Period, we were in compliance with all applicable PRC laws and regulations in material respects and have obtained all of the required products certifications under the PRC laws and regulations necessary to legally export our products overseas; and
- with respect to any product liability issue, it is essentially a commercial matter in that the relevant contracting parties will resolve through traditional dispute resolution mechanism, such as arbitration or litigation.

Pricing

The prices we charge for the products we manufacture for third parties are determined based on negotiations reflecting our production costs and expenses plus reasonable profits. We also take into account prevailing market conditions, prices set by competitors for similar products and the order volume by the relevant customer.

Credit policy

We generally do not grant credit to our OEM/ODM customers, except for several domestic and Russian customers. They are required to pre-pay us with letters of credit or by wire transfer either after their orders are placed or immediately before we deliver the products via documents against payment.

Policies on returns and exchanges

Our OEM/ODM customers conduct quality inspection of our products at our production facilities prior to delivery. Our sales return policy only permits our OEM/ODM customers to return defective products when we are responsible for such defects. As confirmed by our Directors, we did not receive any return or exchange requests from our OEM/ODM customers during the Track Record Period.

MARKETING AND PROMOTION

We target our marketing activities at the middle to high end footwear and business casual menswear markets in China, focusing on direct interaction and communication with our customers and on improving our brand awareness. We primarily engage in the following marketing activities:

Advertising

Our national advertising primarily focuses on building our Fuguiniao brand and other brands. We promote our brand image and generate consumer attention through national television advertising and advertisements in fashion magazines and newspapers. Since 2009, we have engaged a well-known PRC actor, Mr. Lu Yi (陸毅), to be the ambassador of our menswear products. In such role, he has appeared in TV and print commercials for our menswear products and has participated in our fashion shows and promotional events to enhance our brand image. We also use department store showcases and highway billboards displaying images of our brand ambassadors and products to advertise and enhance our brand image. In addition, we will continue to broadcast advertisements on CCTV and several local television stations, some of which are broadcast during evening prime time.

Fashion shows

We hold fashion shows during our trade fairs each year. During the show, we display advertising videos to promote our brands and present our newly-released footwear and menswear collections, highlighting those designs we believe combine the latest fashionable elements and technologies to our distributors and other potential customers.

Department Store Promotions

We organise product theme promotions in department stores in which our outlets are located each season when our new collections are launched into the market. We also set up display boards in our retail outlets showing newly arrived products to further familiarize end customers with our newest products and styles. At such events, we usually invite singers, actors and other celebrities to participate in order to further enhance our brand image and to attract more customers.

In addition, department stores where our outlets are located may, from time to time, organise promotions offering discounts on the merchandise of participating retailers for a limited period of time. We usually participate in such promotions to benefit from the increased customer traffic during the promotion period.

Promotional Events

We also hold sales and other promotional events through our proprietary outlets around public holidays, typically lasting 10 days. In addition, our distributors may decide to hold promotional events at their own retail outlets within their Distribution Regions and we may provide assistance for such events as appropriate.

Product Catalogs and Brochures

We prepare product catalogs and brochures featuring a range of designs in our collections every season. Such catalogs and brochures are displayed at each of our retail outlets.

RESEARCH, DESIGN AND DEVELOPMENT

We place great emphasis on offering comfortable and high quality footwear in a variety of styles in line with the latest fashion trends and customers' needs. We engage in the research, design and development of footwear systematically via our own design and development department, focusing on our branded products and products we sell to our OEM customers. In the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our research and development expenses amounted to approximately RMB8.1 million, RMB15.2 million, RMB24.6 million and RMB8.6 million and RMB19.9 million, respectively, representing approximately 0.8%, 0.9%, 1.3% and 1.0% and 1.8% of our total turnover for the corresponding periods.

Our new footwear designs are generally created and developed in accordance with the distinctive features of each of our brands. Our Fuguiniao branded products, designed for members of the public aged 28 to 45 for footwear products and 25 to 48 for menswear products, use high quality materials and offer classic designs and comfort. Our FGN branded products target members of the urban population aged 25 to 40 and use high-quality materials and offer fashionable designs. Our AnyWalk branded products target the more fashion-conscious population aged 16 to 35 and use trendy design elements and unconventional materials in line with the latest international fashion trends.

We have the capacity to introduce over 1,500 SKUs into the market for our branded footwear and approximately 300 SKUs for our menswear products each season. As a supplement to our own design capacity, we also outsource the design, together with the manufacturing, of some of our branded products to third parties.

Our Design and Development Team

For each of our brands, Fuguiniao, FGN and AnyWalk, we have a separate research, design and development team. We further subdivide our Fuguiniao design and development team into Fuguiniao men's footwear team and Fuguiniao women's footwear team. We also have a menswear design and development team responsible for overall product planning and design for our menswear products. Each footwear design team consists of one design director, one to two chief designers, three to ten senior designers, assistant designers and other staff and is responsible for creating designs for a wide variety of products for their particular market segment based on domestic and international fashion trends, distinctive features of the brand and market demand. As at 30 June 2013, our research, design and development team comprised 307 members, including five design directors, six chief designers and several senior designers, who possessed an approximate average of 15 years of design experience in the footwear industry. In particular, our brand directors for Fuguiniao men's footwear and women's footwear each has over 20 years of experience in footwear design. Our brand director for FGN women's footwear, Mr. Wang Wenlong, won first prize in the National Leather Footwear Design Grand Prix (全國皮鞋設計大獎賽) for two consecutive years in 1999 and 2000 and second prize in 2001. Our men's footwear chief designer, Ms. Zhang Cuiling, won the grand prize in the China Leather Design Grand Prix (中國皮革設計大獎賽), while our AnyWalk chief designer, Mr. Zhou Mingjian, won first prize in the China Leather Footwear Quality Evaluation (Men's footwear A class) (全國皮鞋質量評比男鞋A類) in 1999 and the Rising Star Award in the Capital Youth Design Competition (首都青年設計評比) in the same year. In addition, our accessories design team and our menswear design team each comprises one chief designer.

In order to continue to improve our design capabilities, we periodically organise training for our brand design directors, chief designers, assistant designers and other staff and invite external design companies and international designers to conduct training each

quarter. Such training includes internal design courses, internal training on management and corporate culture, field studies in both domestic and overseas markets and design courses provided by PRC colleges.

Market Research

We have adopted a systematic approach to create a wide variety of products that keep up with contemporary international fashion trends and cater to the preferences of our target consumer groups in China. This approach is based on detailed product research involving the collection of market and fashion information. To this end, members of our design and development team regularly attend various trade shows and fashion shows in China and overseas to understand the latest trends and market developments that capture the latest trend in footwear and menswear in terms of design, material usage and color schemes. Our branch offices and distributors across the PRC also conduct market research regarding the sales of our products by us, our distributors and their third-party retailers, and provide us with feedback regarding the prevailing preferences of their customers as well as information with respect to our competitors every month. We also purchase reports on design and market trends and global fashion trends from third-party research institutions on a quarterly basis. Such information often provides insights to our designers with respect to potential trends and preferences currently existing in the other markets.

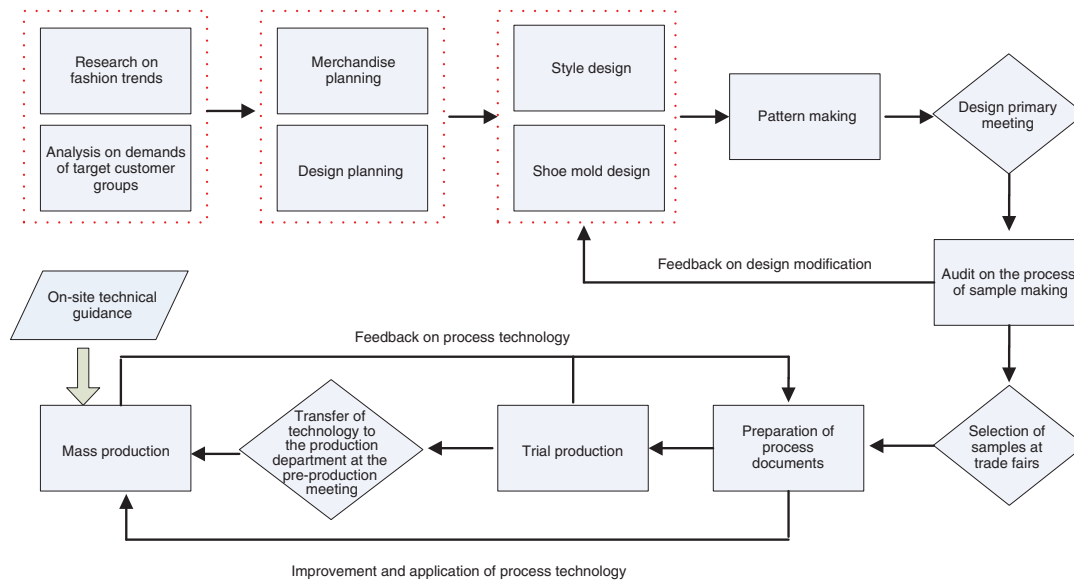
Through such research, we believe our designers are able to maintain a comprehensive understanding of the latest fashion trends and integrate such trends with the consumer preferences of the PRC market in creating new footwear and menswear designs.

Product Design and Development

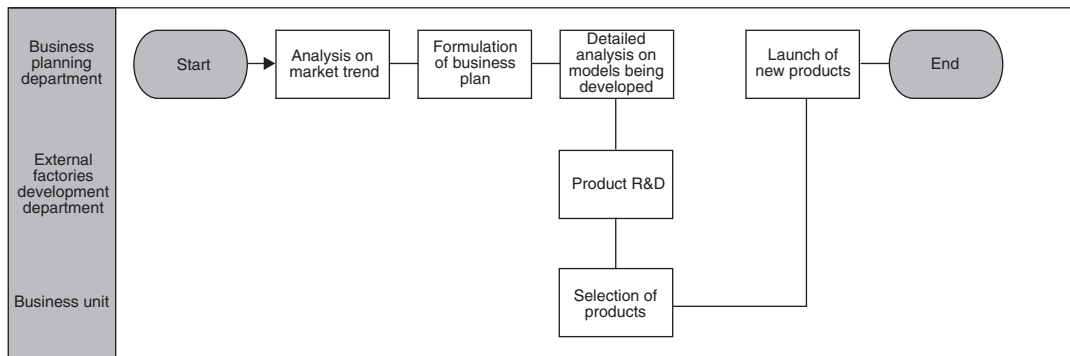
Based on detailed research on fashion trends, domestic consumer preferences and certain other relevant information, our designers discuss with our brand design directors to determine seasonal themes with respect to the styles, colors, materials and other features of footwear to be developed. After the seasonal themes have been determined, our design team commences design of the collections by preparing drawings and sketches of the style and shoe last. Our platemaking team subsequently develops the first batch of plates of shoes based on these drawings and sketches. Plates that passed the preliminary selection are matched with suitable colors and made into prototypes. Our technical team analyses and approves the technologies used in making the prototype before they are submitted to the prototype selection meeting. In the prototype selection meeting, we consider a number of factors such as adherence to our initial design concepts and suitability for mass production before the prototypes can finally be displayed at trade fairs. We typically also invite several representatives from among our distributors to participate in our design process. They are asked to preview and evaluate the mold, style and color of our new footwear products. We are thus able to draw upon their market sensitivity and local knowledge to make products catering to the end customers' tastes.

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The following table sets forth the design and development process of our footwear products:



With respect to design and development of our menswear products, we maintain a design and development process for our jacket products and outsource the design and development of our other menswear products, such as pants and sweaters. The following chart illustrates our design and development process for our jacket products:



Our subcontractors design outsourced menswear products in accordance with our specifications and requirements and make prototypes or sample products for our review and selection. Mass production only commences after we place orders. Our representatives also monitor the quality of the finished products from these third-party subcontractors and their production schedules.

In relation to our ODM products, we design and make prototypes in accordance with our ODM customers' requirements. The prototypes are delivered to our ODM customers for approval before mass production.

PRODUCTION

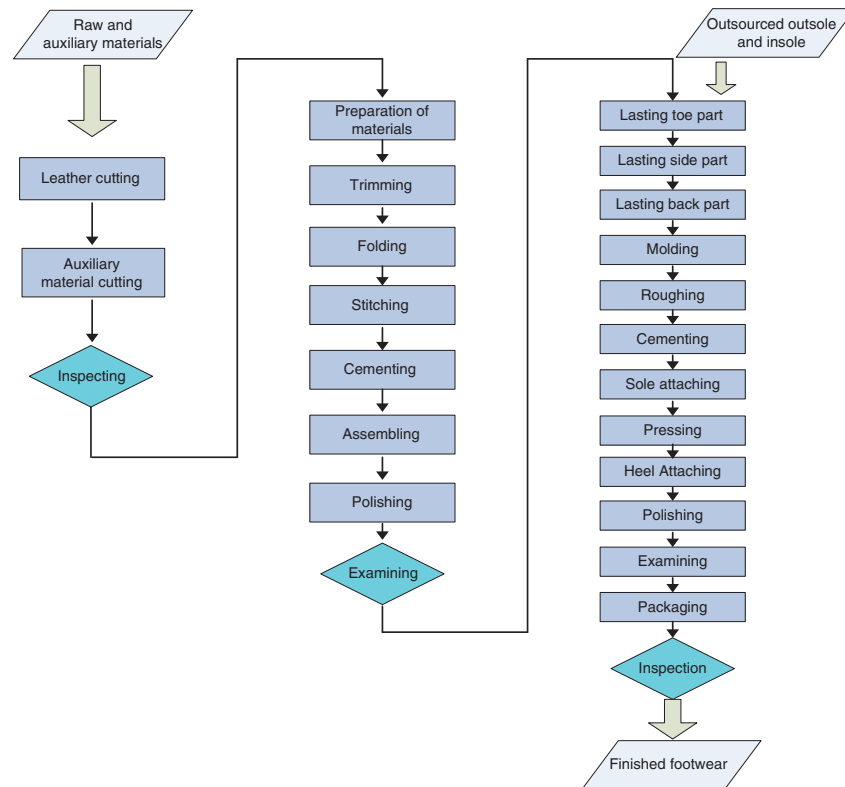
During the Track Record Period, we manufactured a majority of our footwear products at our own production facilities and outsourced the production of the remaining portion of our footwear products and all of our menswear and leather accessory products to third-party subcontractors. In addition, we manufacture all of our OEM/ODM footwear products ourselves.

Our Production Policy

We determine the amount of our footwear products to be manufactured at our own production facilities or outsourced to third-party subcontractors for production primarily based on our existing production capacity and actual sales orders we receive from our customers. This policy also applies to our branded products as we do not give priority in allocating production capacity to any of our brands. According to the sales contracts we entered into with our OEM/ODM customers, we generally produce OEM and ODM footwear products at our own production facilities.

Our Production Process

Our production department works closely with our design and development department to determine special manufacturing processes for specific products, and, if necessary, to make sample test products before beginning mass production of any new products. Before mass production, our technical team will hold a meeting with our production department and procurement department to discuss the materials to be used and to streamline the production process to make sure that procurement will be carried out accurately and production will be conducted smoothly. During mass production, our technical team monitors production on-site to ensure timely resolution of any technical problems that may arise. The diagram below sets forth the production process for our footwear products:



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Our Production Facilities

We have three production facilities strategically located in Shishi City, Fujian Province, the PRC, which have easy access to sea ports, airports and expressways. Many of our raw material providers are located relatively closely to these facilities. The table below sets out certain information relating to our production facilities as at 30 June 2013:

Facilities	Location	Gross floor area (in square meters)	Number of assembly lines	Principal products	Combined annual production capacity ⁽¹⁾ in million pairs
Shishi Production Facility I	Qianyuan Village, Baogai Town, Shishi City, Fujian Province, the PRC	62,079	11	Footwear	2.9
Shishi Production Facility II. . . .	Baqi Road, Shishi City, Fujian Province, the PRC	95,579	8	Footwear	1.7
Shishi Production Facility III . . .	Science Park, Hongshan Town, Shishi City, Fujian Province, the PRC	60,312	5	Footwear	1.2

Note:

- (1) Calculated on the basis that our production facilities are operating at eight hours per day and 300 days per year.

As at 30 June 2013, we had a combined annual production capacity of approximately 5.8 million pairs of footwear (calculated on the basis that our production facilities operate for eight hours per day and 300 days per year).

The table below sets forth further information on our production facilities:

Periods	Production volume Footwear (pairs'000)	Utilization rate (%) Footwear
For the six months ended 30 June 2013	2,586	89.8
For the year ended 31 December 2012	4,924	85.5
For the year ended 31 December 2011	5,192	90.1
For the year ended 31 December 2010	4,423	76.8

We use machines in most of our production processes. As at the Latest Practicable Date, We have 4,497 machines, including toe laster machines, heel laster machines, computerized feeding machines and heel moulding machines imported from Italy, which we believe would help keep our production efficiency high and maintain quality and consistency of our products across product types. We conduct regular maintenance of our machinery every month.

Relocation Plan

According to the Shishi City Urban Master Plan (2011-2030) issued by the Shishi Housing and Urban-Rural Development Bureau on 7 September 2012, the Old Land, which was owned by our Group at the relevant time and on which the facilities housing approximately half of our current production capacity are located, has been re-classified as commercial use land and is not allowed to be used for industrial purposes. We therefore were required to move our production facilities out of the Old Land by the end of 2016. According to the Reply Letter Regarding the Use of the Two Pieces of Land by Fuguinia Company Limited (關於富貴鳥股份有限公司兩宗土地使用有關問題的覆函) (Shi Zheng Ban Han [2012] No. 10) issued by the office of Shishi municipal government (the “**Land Notice**”) on 17 October 2012, we were allowed to keep our office buildings on the Old Land and build a new research center on it. Under the Land Notice, the Shishi municipal government agreed to sell to us the land use right of the New Land to which we could relocate our production facilities by the end of 2016 and we have the right to use the existing production facilities on the Old Land before the new facilities are built on the New Land and put into use. In addition, according to the Land Notice and as further confirmed by our PRC legal adviser, Zhong Lun Law Firm, we will receive compensation from the Shishi municipal government in respect of our relocation according to relevant local regulations of Fujian Province, including the Regulations of Quanzhou on the Administration of Demolishment of Urban Houses (泉州市城市房屋拆遷管理規定) issued by the office of Quanzhou municipal government in May 2003.

However, as no further definitive information in relation to the relocation plan was available, there were uncertainties and/or risks to our Group with regard to (i) how to arrange our internal resources, particularly our working capital resource, to cater to the needs of different major stages of the relocation, (ii) whether the New Land would be obtained at reasonable price, (iii) whether we would be able to construct new plants at reasonable cost on the New Land. In addition, we expected that during the relocation process, our Group might need to devote much efforts for the communication with relevant local government authorities so as to, including without limitation, complete various prescribed official procedures and obtain relevant required permits, approvals and/or licenses, all of which might be quite burdensome and time-consuming and the results of which might be uncertain. Further, our Directors and senior management were likely to be interrupted by relevant affairs in relation to the relocation, the management of the Old Land (together with all buildings and plants thereon) after the relocation and the construction of new plants on the New Land. In consideration of the above and for the purpose of minimizing any such uncertainties or risks in relation to the relocation, maintaining the stability of the assets of our Group, and allowing our Directors and senior management to focus on the business operation of our Group by avoiding any such interruption, we transferred the Old Land (together with all buildings and plants thereon) to a connected person of our Group, namely, Shishi Fuguinia, for a consideration of RMB216.00 million, which was determined with reference to the valuation report prepared by an independent property valuer, as well as the carrying value of such Old Land (together with all buildings and plants thereon) in the amount of approximately RMB184.6 million according to the Company’s financial statements as at 30 June 2013. According to such valuation report, the value of the Old Land (together with all buildings and plants thereon) was determined based on factors including (i) the benchmark price as announced by the local government for the relevant category of the lands within which the Old Land is located, (ii) specifics of the Old Land, including without limitation, location, size, shape, infrastructure and planning, (iii) the fact that the Old Land is used for industrial purpose as at the time of the valuation, (iv) the cost for the re-construction of the buildings and plants on the Old Land as at the time of the

valuation, and (v) any depreciation of such buildings and plants. Shishi Fuguiniao is owned as to 25% by each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Wing Ho and Mr. Lam Kwok Keung, the Controlling Shareholders and Directors of our Company. Such transfer was completed in November 2013 and the consideration of RMB216.00 million is expected to be settled by end of December 2013. Immediately upon the completion of the transfer of the buildings and plants on the Old Land, our Group entered into two lease agreements with Shishi Fuguiniao on 1 November 2013 for the leasing of all such buildings and plants. As disclosed in the section headed “Connected Transactions” in the prospectus, as confirmed by DTZ Debenham Tie Leung Limited, an independent property valuer, rent payable by our Group under each of these lease agreements represents the prevailing market rates for properties of similar quality in neighbouring areas to which the premises are located, and the terms of these lease agreements are fair, reasonable and on normal commercial terms. For details of such lease agreements, please refer to the section headed “Connected Transactions” in the prospectus.

On the other hand, pursuant to our communication with Shishi municipal government, Shishi Fuguiniao, as the owner of the Old Land, will be responsible for the relocation process and will assume all rights and obligations of our Group in relation to the relocation, including, (i) to move all production facilities out of the Old Land by the end of 2016, (ii) to be allowed to keep the office buildings on the Old Land, (iii) has the right to use or to grant us the right to use the existing production facilities on the Old Land before the new production facilities are built on the New Land and put to use, and (iv) to be entitled to the New Land and the compensation in respect of the relocation. Shishi Fuguiniao also, by way of two written undertakings dated 20 September 2013, and 2 December 2013, respectively, undertook to our Group (i) to build the new plants on the New Land according to the specifications provided by us as soon as possible, (ii) to lease the new plants to our Group at prevailing market rate once such plants have been built on the New Land and put to use and that our Company shall have the right to renew the lease agreement in relation to such new plants at prevailing market rate, (iii) to indemnify any expenses and losses (including any loss of turnover) incurred by our Group in connection with the relocation, which will be in the total amount of approximately RMB1.2 million as estimated by our Group and (iv) that upon expiration of the existing lease agreements between our Company and itself regarding leasing of all buildings and plants on the Old Land, our Company shall have the right to renew such lease agreements under similar terms with Shishi Fuguiniao. As advised by our PRC legal adviser, Zhong Lun Law Firm, these written undertakings from Shishi Fuguiniao are legally binding and enforceable under the PRC law. As at the Latest Practicable Date, our Company had no intention to acquire the New Land and new plants from Shishi Fuguiniao after the construction completes.

As advised by our PRC legal adviser, Zhong Lun Law Firm, Shishi municipal government is the appropriate and competent authority to issue the Land Notice and to provide relevant assurance therein. In addition, as advised by our PRC legal adviser, Zhong Lun Law Firm, pursuant to Regulation on the Expropriation of Buildings on State-owned Land and Related Compensation (國有土地上房屋徵收與補償條例), the compensation to be entitled by Shishi Fuguiniao in relation to the relocation shall include (i) the fair market value of all buildings on the Old Land, (ii) the expected expense of Shishi Fuguiniao in relation to the relocation and (iii) the loss incurred by any possible suspension of production due to the relocation, and unless and until Shishi Fuguiniao is fully and legally compensated by Shishi municipal government, Shishi Fuguiniao will not be obligated to comply with the relocation plan and our Group will also be able to continue to use all the buildings and production facilities on the Old Land pursuant to the lease agreement between our Group and Shishi Fuguiniao. As advised by our PRC legal adviser, Zhong Lun Law Firm, according to the

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Regulations of Quanzhou on the Administration of Demolishment of Urban Houses (泉州市城市房屋拆遷管理規定), upon filing of the lease agreement entered into between our Company and Shishi Fuguiniao with relevant government authorities, the above-mentioned compensation in connection with loss of turnover due to relocation to be granted by local government will represent three months' rental as prescribed in the lease agreement.

The leasing of plants on the Old Land is important to our Group, as we use such plants to produce approximately 50% of our products, and therefore, any disruption caused by the relocation may adversely affect our results of operation. However, as the Old Land (together with all buildings and plants on it) had been transferred to Shishi Fuguiniao, the future financial impact of the relocation will be minimal to our Group, and the relocation cost and write-off of property and plant, if any, will be borne by Shishi Fuguiniao. In addition, our Group has taken or will take below measures to minimize the disruption of our operations during the relocation process:

- we have identified alternative production facilities suitable for the production of our products and available for rent at prevailing market rate within the Shishi area, to, if required, accommodate our Group's production requirement during the relocation process. As at the Latest Practicable Date, our Company had not entered into any lease agreement in relation to any such alternative production facilities, as such alternative production facilities are quite readily available for rent in the local market of the Shishi area;
- we have established an internal working group for identifying additional external subcontractors to, if required, accommodate our Group's production requirement at comparable cost and with quality. As at the Latest Practicable Date, we have identified 224 such qualified subcontractors for manufacturing footwear products, whom we previously had engaged to produce our products and the quality of whose products satisfied relevant national standards and specifications set by us. Among these 224 subcontractors, ten of the largest subcontractors have by way of written confirmations agreed to retain an annual production capacity of about five million pairs of leather shoes for us each year in the coming five years on a preferential basis, accounting for approximately 86% of the annual production capacity of our Group, with the purchase price and other major subcontracting terms to be agreed between relevant parties through negotiation and with reference to prevailing market level. Our Directors believe that the above-mentioned subcontracting arrangement is feasible. As advised by our PRC legal adviser, Zhong Lun Law Firm, these written confirmations provided by the ten largest subcontractors are legally binding and enforceable under the PRC law and in the event that any of these ten subcontractors breaches its written confirmation, our Group will be entitled to require such subcontractor to compensate our Group for any loss due to such breach under the PRC law. Even if, as mentioned above, any of these ten subcontractors does breach its written confirmation, our Company will still be able to engage substitute subcontractors (from the rest of these 224 identified subcontractors) to, if required, accommodate the Group's production requirement at comparable cost and with quality;

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- we have made relevant arrangements so that the production capacity of our other production facilities that are not on the Old Land could be increased during the relocation process, so as to accommodate our production requirements, if required;
- we will utilise our internal and external resources in a more efficient manner during the relocation process, such as relocating different production lines with carefully arranged order so as to cater to the then different needs for different types of our products, as well as planning in advance the proportion of each of self-manufactured products and products manufactured by external subcontractors during the relocation process; and
- as agreed with Shishi Fuguiniao, the relocation work will be carried out during the night and the daytime of the weekends, so as to minimize the negative impact on our production output and schedule and our company expects that the relocation will be mostly completed within seven to ten days.

Although the Shishi municipal government has promised to provide Shishi Fuguiniao with the New Land, Shishi Fuguiniao has not yet, as at the Latest Practicable Date, received any further notice regarding particulars of such potential New Land including its location, area and timing of entry. Furthermore, Shishi Fuguiniao will need to obtain the New Land through bid-inviting, listing or auction process as required under the PRC law, and therefore, cannot currently calculate the consideration Shishi Fuguiniao may need to pay for the New Land. Our Directors cannot foresee the timing for such relocation at this stage though they believe, based on the favorable policies set by local governments on the continuing development of enterprises, as well as the above-mentioned measures that have been taken or will be taken by our Group to minimize the disruption of our operation during the relocation process, such disruption will be minimal to our operations.

Please refer to “Risk Factors – Change of our main production site may adversely affect our business” for detailed discussion of risks relating to the relocation.

Subcontracting

We primarily seek to fulfill footwear orders through production at our own production facilities. However, we utilise external subcontractors to produce a portion of our footwear products as we optimize our cost structure and improve efficiency of our production facilities. We believe this arrangement is cost effective and offers us greater flexibility to adjust our production schedules and to meet unforeseen demand. We also outsource the production of all of our menswear products and leather accessories to subcontractors because we believe it is more cost efficient to outsource the production of these products than to build new production lines in our production facilities.

Our Directors consider that by engaging third-party subcontractors, our internal production resources can be deployed more efficiently for core production work. We believe that such subcontracting strategy allows us to adjust our product mix in a timely manner without significant capital outlay requirement.

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The table below sets forth a breakdown of our sales volume into those we produce ourselves and those we subcontract to external producers by sales volume and percentage of the total sales volume during the Track Record Period:

Type	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	Volume (pairs'000)	%	Volume (pairs'000)	%	Volume (pairs'000)	%	Volume (pairs'000)	%	Volume (pairs'000)	%
Self-produced footwear . . .	4,499	72.0	5,319	69.6	4,952	63.8	2,473	64.1	2,587	58.9
Subcontracted footwear . . .	1,750	28.0	2,327	30.4	2,808	36.2	1,388	35.9	1,807	41.1
Total	6,249	100.0	7,646	100.0	7,760	100.0	3,861	100.0	4,394	100.0

Based on our current production capacity, we anticipate that a significant portion of our footwear products will continue to be manufactured by our third-party subcontractors in order to meet the increasing demand of our products.

Criteria for selection of third-party subcontractors

We adopt a strict selection and evaluation system to select our subcontractors. We typically identify potential subcontractors from public information, third-party referrals or self-introductions. We select qualified subcontractors from these potential candidates after considering their production capacity, production cost, design and development capabilities, punctuality of delivery, management and product quality. We do not restrict our subcontractors from manufacturing products for other companies, though we require our subcontractors to reserve certain annual production capacity for our products. Our subcontractors can only be selected from our qualified subcontractor list. We also conduct quality control over the manufacturing process of semi-finished and finished products we outsource to our subcontractors.

We choose subcontractors located in certain areas that are considered to be production bases for manufacturing of footwear, apparel and/or leather accessories. These areas include Fujian, Zhejiang and Guangdong Provinces. For the six months ended 30 June 2013, we had business with 103 subcontractors for footwear products, 93 subcontractors for menswear products and 28 subcontractors for leather accessories. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, purchases from our top five subcontractors accounted for 35.1%, 15.3%, 17.2% and 17.6% and 26.8%, respectively, of our total purchase of finished products from all subcontractors. Purchases from our largest subcontractor accounted for 9.4%, 3.7%, 4.9% and 5.2% and 6.8%, respectively, of our total purchase of finished products for the same periods. The Directors confirm that all of the subcontractors are Independent Third Parties and none of the Directors, or their respective associates, or any Shareholder, who or, to the knowledge of the Directors, owns more than 5% of our issued share capital had any interests in any of these five largest subcontractors throughout the Track Record Period.

Subcontracting agreements

We do not enter into long-term agreements with our third-party subcontractors but instead maintain flexibility by entering into one-year framework contracts with them. We place individual purchase orders, which set out the terms regarding, among other things, quantity, quality, price and specifications.

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Some of the major terms of the framework contracts that we enter into with third-party subcontractors are set out below:

- Quality and specifications – subcontractors produce products in accordance with national quality standards and specifications set by us. We have the right to inspect the final products before accepting them.
- Raw material procurement – raw materials used for the production are provided by us or our designated suppliers, except as otherwise specified.
- Payment terms – payment shall be made within 60 days after we receive a VAT invoice from our subcontractors which they are required to issue upon our taking over the delivered products. We retain at least 10% of the payment in accounts payable by us as guarantee deposit for two sales seasons.
- Packaging – subcontractors are required to use packaging we provide for our products in accordance with our requirements and specifications.

RAW MATERIALS AND SUPPLIERS

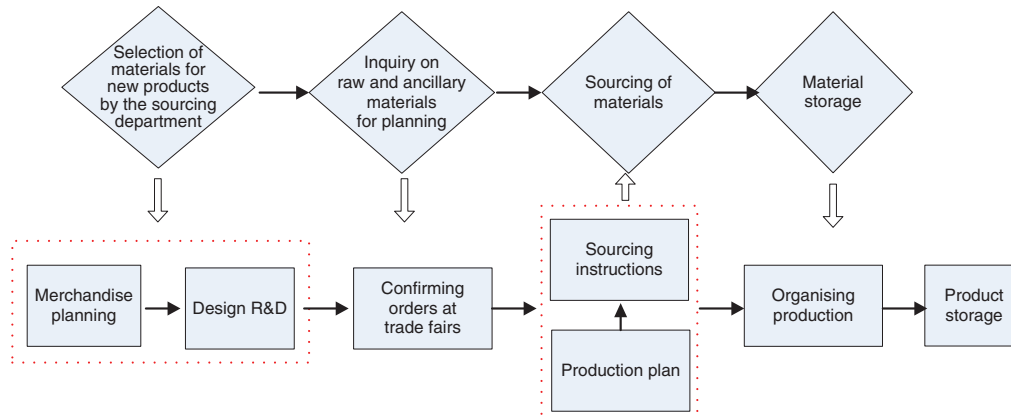
The principal raw material used in the manufacturing of our footwear and leather accessories is natural leather. Other raw materials used include fabrics, heels, glue, outsoles, insoles, nails, ornaments and zippers. The principal raw materials used in the production of our menswear products are fabrics. Raw materials represented approximately 39.6% of our cost of sales for the six months ended 30 June 2013. We sourced approximately 80.6% of our raw materials from sources within China with the balance, which consisted of materials required by our OEM/ODM customers, sourced from overseas. In particular, we purchased most of our raw materials from Shandong, Henan, Fujian and Jiangsu Provinces, where the raw material markets for footwear and menswear products are well-developed and the prices are competitive. We try to purchase raw materials from areas near our production facilities to save transportation cost.

We purchase raw materials in bulk. We typically purchase approximately 60% of our raw materials after having confirmed purchase orders with our distributors following each seasonal trade fair. As a supplement to such bulk procurement, we also place individual orders with our suppliers on a periodic basis upon receiving top-up orders from our customers. We believe such purchase model increases our bargaining power and efficiency in inventory management.

Our procurement department works closely with our design and development department during our product design and development stage, to search for the most suitable raw material adhering to the original design concept. After we receive orders from our distributors during the trade fairs, our procurement department will make enquiries with at least three of our suppliers and select a supplier on the basis of the price, quality and delivery schedule.

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The table below sets forth the raw material procurement process and the relationship between our procurement department with other departments:



Pursuant to our purchase agreements with them, suppliers are required to prepare the raw materials in accordance with the samples we approved and deliver such materials at their own expense, to the warehouses or other locations we designate. Upon delivery of the raw materials, we have the opportunity to check for quality and raise complaints, if any, or accept them within ten days after receipt. Payment is made by us in accordance with the quantity stipulated in the purchase agreement or as separately confirmed by both parties, if the actual delivered quantity deviates more or less from the one stipulated in the agreement. We are entitled to claim compensation from our suppliers for any product that fails to meet the quality and technical supervision standards stipulated in the relevant purchase agreement.

We have adopted a supplier development system to identify and develop potential suppliers. We identify potential suppliers from leather exhibitions, publicly-available information and third-party referrals. We will evaluate the production capacity, technology, quality and price of the potential suppliers and place a small order with them first. Suppliers who have passed our tests will be placed onto our qualified suppliers list. All qualified suppliers are classified into regular suppliers and strategic suppliers, according to their size, quality of products, manufacturing capacities, our cooperation history and experience. Strategic suppliers have priority in terms of order placing and payment. We evaluate our suppliers' performance annually and will implement certain economic penalties on those who have failed to meet our requirements, including, among others, seeking discounts on payments, or even ceasing to purchase from them next year. We typically pay our suppliers by wire transfer. Our raw materials suppliers and third-party subcontractors generally grant us credit terms of up to 45 days and 60 days, respectively.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our five largest raw material suppliers accounted for approximately 24.6%, 17.5%, 35.2% and 49.1% and 29.2%, respectively, of our total raw material purchases, and our largest raw material supplier accounted for 9.6%, 4.3%, 14.5% and 28.0% and 9.9%, respectively, of our raw material total purchases. None of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our share capital has any interest in any of these five largest suppliers during the Track Record Period.

We also purchase finished products from subcontractors for our distribution. We outsource all production of our menswear products and leather accessories. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and

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2013, we also outsourced the production of approximately 35.7%, 34.8%, 44.0% and 44.2% and 45.5%, respectively, of the total production of our branded footwear products, in terms of turnover. For more information on our management of outsourcing and quality control of outsourced products, see “– Production – Subcontracting” above.

MAJOR AND RELATED CUSTOMERS

As at 30 June 2013, our customers primarily consisted of 60 distributors of our products as well as a limited number of OEM/ODM customers. We have maintained business relationships with 22 of these distributors for more than ten years, with the longest period of relationship being 22 years. We believe that our ability to maintain distributors' loyalty is important to our success. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, sales attributable to our top five customers were RMB553.1 million, RMB714.4 million, RMB668.1 million and RMB380.7 million and RMB207.1 million, respectively, accounting for 51.7%, 43.3%, 34.6% and 42.2% and 19.1%, of our turnover. Sales to our largest customer accounted for 26.1%, 25.8%, 18.0% and 24.4% and 4.6%, respectively, of our turnover for the same period. Our largest customer represents purchases of eight individual companies all controlled by the same individual, as described below.

All of our existing customers are Independent Third Parties and we do not have ownership or management control over any of our distributors or third-party retailers. Save for Mr. Lam Wo Sze, one of our Directors and Shareholders, and Mr. Lin Congbin, Mr. Lam Wo Sze's nephew in law, none of our Directors or Shareholders or their respective associates who or which to the knowledge of our Directors hold more than 5% of our issued Shares had any interests in any of our customers throughout the Track Record Period. Mr. Lam Wo Sze was the beneficial owner of the Related Distributor at various times over the Track Record Period until disposing his interests in the Related Distributor to several Independent Third Parties in October 2012. As at the Latest Practicable Date, these purchasers remained as Independent Third Parties. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, 26.1%, 25.8%, 18.0% and 24.4% and Nil, of our turnover was derived from the Related Distributor, respectively. Certain background information of these eight companies are set forth below:

Name of the companies comprising the Related Distributor	Number of outlets operated by the companies comprising the Related Distributor			Our amount of sales to the companies comprising the Related Distributor (% to our turnover) when they were related to us during the Track Record Period		
	by 31 December			by 31 December	by 31 December	by 31 December
	2012	2011	2010	2012	2011	2010
				RMB'000/ (%)	RMB'000/ (%)	RMB'000/ (%)
成都美雅特商貿有限責任公司 (Chengdu Meiyate Trading Co., Ltd.)	91	144	115	72,842/3.8	101,848/6.2	80,815/7.6
上海福林鞋業有限公司 (Shanghai Fulin Footwear Co., Ltd.)	116	145	107	49,576/2.6	52,870/3.2	21,070/2.0
北京錦潤豐商貿有限責任公司 (Beijing Jinrunfeng Trading Co., Ltd.)	145	167	134	81,659/4.2	97,104/5.9	59,319/5.5
西安丹普妮商貿有限責任公司 (Xi'an Danpuni Trading Co., Ltd.)	34	48	27	20,867/1.1	19,341/1.2	13,730/1.3
武漢和源祥商貿有限責任公司 (Wuhan Heyuanxiang Trading Co., Ltd.)	36	78	60	30,256/1.6	39,432/2.4	25,804/2.4
廈門帝一貿易有限公司 (Xiamen Diyi Trading Co., Ltd.)	135	103	74	42,639/2.2	57,037/3.5	37,122/3.5
福州達維貿易有限公司 (Fuzhou Dawei Trading Co., Ltd.)	27	35	30	13,615/0.6	16,674/0.9	9,574/0.9
長沙市足步鞋服貿易有限公司 (Changsha Zubu Footwear and Apparel Trading Co., Ltd.)	91	113	80	36,186/1.9	41,187/2.5	31,464/2.9
Total:				<u>347,640/18.0</u>	<u>425,493/25.8</u>	<u>278,898/26.1</u>

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For the years ended 31 December 2010, 2011 and 2012, our Group's net profit was RMB118.7 million, RMB253.9 million and RMB323.6 million, respectively. Considering that for the years ended 31 December 2010, 2011 and 2012, (i) the sales made to the companies comprising the Related Distributor only accounted for 26.1%, 25.8% and 18.0%, respectively, of our Group's total turnover, and (ii) the net profit margin of our Group was 11.1%, 15.4% and 16.7%, respectively, our Directors and the Sole Sponsor are of the view that our Company is still able to meet the minimum profit requirement under Listing Rule 8.05(1)(a), if sales made to the Related Distributor during the Track Record Period were excluded.

Mr. Lam Wo Sze believed that the sales in the cities identified in the table above had the potential to grow rapidly and the above-mentioned cities were strategically important to our market position and brand image. As a result, in order to enhance our sales performance in the provinces in which the Related Distributor operated, Mr. Lam Wo Sze established the Related Distributor in 2007 through trust arrangements with third-party individuals, including his nephew in law. The establishment and daily operation of such Related Distributor were all funded by Mr. Lam Wo Sze with his own resources and neither our Group nor any of the other Directors or their respective associates provided any funding or other support for the establishment of the Related Distributor. Leveraging Mr. Lam Wo Sze's extensive experience in retail and sales in the footwear and menswear industry in the PRC, the number of retail outlets in, and the sales attributable to, these provinces have increased since the establishment of the Related Distributor in these provinces.

During the first quarter of 2012, we started planning for a listing of our Shares and Mr. Lam Wo Sze was elected as one of our non-executive Director. In order to avoid any potential conflict of interests and to ensure that future transactions with our customers (including the Related Distributor) would continue to be entered into on an arm's length basis without being influenced by Mr. Lam Wo Sze, the Board requested that Mr. Lam Wo Sze dispose of his ownership of the Related Distributor. As there was no liquid market for the sale of brand distributors and there were limited potential buyers specifically familiar with the brand control and distributorship of our products, he disposed of his respective equity interests in the Related Distributor to several Independent Third Parties, which had their own financial resources to acquire these equity interests and some of which were also owners of some other independent distributors of our Company and therefore, were familiar with our Group's products and operations. The transaction was completed on 15 October 2012 and those Independent Third Parties paid an aggregate of RMB33.8 million in consideration for the equity interests in the Related Distributor. The amount of consideration was based on the negotiated valuation of the Related Distributor as at 31 August 2012. None of our Group, our Directors or any of their respective associates provided any funding or support to these purchasers for their acquisitions of these equity interests. As at the Latest Practicable Date, the eight companies comprising the Related Distributor remained our distributors.

To strengthen our own retail channel, beginning in July 2012, we gradually took over the operation of 208 department store outlets from the Related Distributor before and after the above-mentioned disposal was conducted, completing the takeover of most of these department store outlets by December 2012 with the remaining few completed in January 2013. During this period, to the extent that we had taken over their operations, we no longer made any sales to such department store outlets. However, we made sales to those department store outlets that the Related Distributor continued to operate until we took over the operation of the last several department store outlets in January 2013. For the six months ended 30 June 2013, the turnover generated from these the department store outlets we took over in 2012 and 2013 was approximately RMB90.5 million for the six months ended 30 June 2013, accounting for 8.3% of our total turnover for that period. We

did not pay any consideration for such takeover because instead of purchasing such retail outlets directly from the Related Distributor, we entered into new contracts with the relevant department stores where the 208 retail outlets were located after their then-existing contracts with such department stores have expired or were terminated by the Related Distributor. The new contracts were based on various forms of contracts provided by the relevant department stores and were entered into by us on substantially the same terms as the previously expired or terminated contracts, including revenue distribution between the relevant department store and us, allocation of expenses, decoration requirements and termination. Considering that it was more convenient and cost-effective for us to use the existing inventories, which were stored near the retail outlets that we took over, we made cash payments to the Related Distributor for such inventories of these department store outlets in the aggregate amount of RMB40.8 million, including applicable taxes, at the time of the takeover, which was the book value of the inventories on the Related Distributor's books at the time. These inventories were accounted for at purchased cost we paid to the Related Distributor and were recognised as turnover on our consolidated statements of profit or loss and other comprehensive income after they were sold by us subsequent to our takeover. Prior to the takeover, we sold our products to the Related Distributor in accordance with the relevant distributorship agreements. The distributorship agreements we entered into with the Related Distributor did not differ from those we entered into with our other distributors, including in relation to sales and credit terms. For details of the distributorship agreements, please see “– Sales and Distribution – Branded Product Sales – Distribution – Distributorship agreements” of this prospectus.

Based on the facts that (i) the payments for the equity interests in the eight companies comprising the Related Distributor were made by several Independent Third Parties to Mr. Lam Wo Sze, (ii) the eight companies comprising the Related Distributor remained our distributors as at the Latest Practicable Date, (iii) we only made cash payments of approximately RMB40.8 million for the existing inventories at the 208 department store retail outlets in connection with our taking over of these outlets in 2012 and 2013, and there was not an acquisition of business from the Related Distributor and thus, the transaction was not accounted for as business combination in our consolidated financial statements during the Track Record Period, and (iv) the turnover generated from these department store outlets we took over was approximately RMB90.5 million for the six months ended 30 June 2013, accounting for only 8.3% of our total turnover for that period, our Directors are of the view that the disposal of the Related Distributor by Mr. Lam Wo Sze to several Independent Third Parties and our takeover of the 208 department store retail outlets did not have a material impact on our Group's financial results during the Track Record Period.

All of the 208 department store outlets are located in Tier 1 and Tier 2 cities in the PRC, including, among others, Beijing, Shanghai, Chengdu, Wuhan and Chongqing, which we believe are strategic for our operations and brand image.

The Related Distributor has its own business operation sites and warehouses for their operations and none of them uses any operational facilities of our Group. Having taken over the management team and staff of the Related Distributor and with the support of the supply chain management and inventory control system previously established by Mr. Lam Wo Sze, and with the credit terms generally offered by us to our customers, so far as the Directors are aware of, the operational capital and the additional managerial and operational support required by these Related Distributor after the disposal by Mr. Lam Wo Sze of his ownership of the Related Distributor is not significant and the Related Distributor are able to operate independently and finance their operation and purchases out of purchase price received from third-party retailers, retail shops and their internal generated cashflow. Save for the support we provide to our distributors pursuant to the distributorship agreements and with the exception of the 208 department store outlets that we took over the

operations beginning in July 2012 and now operating directly, neither our Group nor any of the Directors have provided any funding or other support for management or operation of these Related Distributor after the disposals thereof by Mr. Lam Wo Sze. Save for Mr. Lam Wo Sze, none of our Directors and, so far as the Directors are aware of, none of the senior management, and/or their associates have participated in the management and operation of the Related Distributor during the Track Record Period and up to the Latest Practicable Date. The Directors are of the view that the sales and distribution agreements entered into with the Related Distributor during the Track Record Period were on normal commercial terms and comparable to those with independent distributors and the Sole Sponsor concurs with the Directors. Our sales to the Related Distributor have been and will be made on arm's length basis and on normal commercial terms.

INVENTORY MANAGEMENT

Our inventories mainly consist of (i) raw materials; (ii) work-in-progress; and (iii) finished products. We recognise that controlling levels of inventory is important to our overall profitability. We generally purchase raw materials from our suppliers and semi-finished or finished products from our subcontractors after each of our trade fairs, where we confirm sales orders with our distributors. We normally purchase 1.2 to 1.3 times the current of leather needed for the production of first batch of seasonal products and also stock up on leather of commonly used colors, such as black, when the price of leather is relatively low during the year. Sales orders from our trade fairs enable us to manage our inventory of raw materials and finished products more efficiently. For this reason, we typically have low inventory levels of unused raw materials and unsold or obsolete finished products at the end of the year. As at 31 December 2010, 2011, 2012 and 30 June 2013, our average inventory turnover days were 99.4 days, 67.4 days, 59.3 days, and 61.8 days, respectively.

The above figures do not include inventory held by our distributors in the form of finished products as such products are considered sold at the time of delivery. Our Directors have confirmed that we did not experience any sales returns from our distributors during the Track Record Period. To facilitate our distributors in managing their inventory levels, we plan to launch an in-house developed online trading platform, whereby our distributors may, for a limited period of time and subject to prices predetermined by us, exchange with each other certain of our products in their inventories that may be considered out-of-season or less popular within their respective Distribution Region. Currently, we have completed the initial development of this online trading platform, which is in the process of going through the testing phase. While we are not aware of any material legal risk that our Company may be exposed to by the implementation and operation of such online trading platform, we will conduct requisite reviews and procedures to minimize any legal risk prior to launching this online trading platform, including, among others, (i) conducting thorough review to ensure that our online trading platform does not infringe the intellectual property rights of any third party; (ii) implementing adequate online security protocols to protect our distributors' personal data; and (iii) seeking advice from our in-house legal department and/or external legal counsels on any matters associated with the operation of such online trading platform. We expect to launch and operate this online trading platform by the end of 2013.

It is our policy to review the obsolescence of our inventories annually based on the age of the inventories. We also carry out physical stock counts each month to identify obsolete or damaged goods. For obsolete, unused or damaged goods or raw materials, specific provision will be made on an item of inventory if we foresee any difficulty in selling or disposing it, and such policy has been consistently applied by us throughout the Track Record Period. For the year ended 31 December 2010 we made write-downs of obsolete inventory in the amount of RMB481,000. For the year ended 31 December 2011 and 2012, we had write back of inventory impairment of RMB717,000 and RMB45,000, respectively. As at 30 June 2013, we did not have any write-downs or write back of inventory impairment. See "Financial Information – Inventory Analysis" in this prospectus for details.

QUALITY CONTROL

We place considerable emphasis on product quality and have an established quality control system. We have obtained the ISO 9001:2008 certification for our design and production of adhesive leather shoes and leather sandals produced in facilities located at Baqi Road, Shishi City, Fujian Province with a term of three years commencing from 17 May 2011. This certification demonstrates that our quality control management system meets international standards. We also received a “Certificate for Products Exempted from Quality Supervision Inspection” (產品質量免檢證書) with a term of three years commencing from December 2007, which was the last year during which such certificate was given by AQSIQ.

As at 30 June 2013, we had a team of 127 staff members in our quality control department. Our quality control team monitors each stage of the production process. Raw materials and ancillary components provided by our suppliers must pass our quality control and meet certain mandatory national health, safety and environmental standards. We conduct tests on raw materials and other components to detect defects at our own quality control center. We may also require our suppliers to provide third-party inspection reports to prove the quality of the raw material. Raw materials that fail to meet our standards will be returned to the suppliers for replacement.

Our quality control team conducts tests on sample products to discover any design defects and confirm suitability of materials. During the production process, we carry out inspections at important stages of our production process, including a final inspection on finished products to ensure that they comply with our specifications and are free from defects.

Our quality control team also carries out quality control on products manufactured by our subcontractors. We conduct strict inspections on third-party subcontractors before we approve them as qualified subcontractors and enter into a business relationship with them. During the production period, we dispatch five to seven inspectors at their production facilities to monitor the production process of such subcontractors from raw materials procurement to finished products testing to ensure the quality of the products produced by such subcontractor is at the same level as those produced by us. Before packing and delivery, every pair of shoes manufactured by our subcontractors will be inspected by our on-site inspectors to ensure no defective product can be delivered to our customers.

We may receive customer complaints from time to time regarding the defects of our products, our after-sales customer service personnel would be actively engaged to resolve these complaints. Any unresolved complaints will be escalated to a designated senior officer in our sales and marketing department for further handling. Such complaints are usually resolved within seven day after receipt.

During the Track Record Period, we received an average of 20 complaints per 30-day period from our distributors and end customers, which mainly consisted of requests for exchange or refund for defective products. Our standard complaints handling procedures are as follows:

- if the defective products were purchased from retail outlets operated by our distributors, the distributor will handle the complaints first; and
- if the defective products were purchased directly from our proprietary outlets, or our distributors are unable to handle the relevant complaints, such complaints will be escalated to our Company and we will conduct inquiries and settle with our end customers.

In addition, we also have set up two telephone hot-lines to receive complaints from our distributors and end customers.

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EMPLOYEES

As at 30 June 2013, our Group had a total of 5,650 full-time employees, all located in the PRC. The following table sets forth a breakdown of our employees by function as at 31 May 2013:

	Number of employees	Percentage of total employees
Management and administration, finance and quality control.	762	13.5%
Manufacture and production.	3,306	58.5%
Product design, research and development.	307	5.4%
Sales and marketing management.	1,275	22.6%
Total	5,650	100.0%

We provide introduction training programs to our new employees to introduce them our corporate culture, rules and bylaws and safety procedures. We also provide on-going internal training to our employees according to their requirements and the need to enhance their industrial, technical and product knowledge, their work ethic as well as their knowledge of industry quality standards and work safety standards. We encourage our employees to take advanced courses and obtain professional certifications. We also organise and pay for external trainings for certain employees whom we believe are particularly dedicated to our Group.

We believe that we maintain a good working relationship with our employees, and we have not experienced significant problems with our employees or disruption to our operations due to labor disputes.

PROPERTIES

As at the Latest Practicable Date, we owned one parcel of land in China. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. We use our land for our production facilities, office buildings, residential units and other ancillary facilities with an aggregate gross floor area of approximately 68,399 square meters. Since no single property interest that forms part of our non-property activities as a carrying amount of 15% or more of our total assets, our Directors are of the view that this prospectus is exempt from compliance with requirements of Chapter 5 of the Listing Rules and section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, both of which require a valuation report with respect to all of the Group's interests in land or buildings.

Owned Properties

As at the Latest Practicable Date, we owned one parcel of land with a total site area of 60,312 square meters in Shishi City, Fujian Province. We have obtained the land use rights certificate for this parcel of land. We primarily use this parcel of land for our production facilities office buildings, ancillary facilities and employee dormitories.

As at the Latest Practicable Date, we owned ten buildings or units with a total gross floor area of approximately 68,399 square meters which were located in Shishi, Fujian Province. We have obtained building ownership certificates to all such properties. We primarily use these buildings for offices, production facilities, ancillary facilities and dormitories for our employees.

Leased Properties

As at the Latest Practicable Date, we leased 47 properties with a total gross floor area of 179,384.77 square meters which were located in Shishi, Fujian Province. We primarily lease these properties for office and business purposes.

Among the 47 leased properties, five buildings or units with a total gross floor area of approximately 7,775.6 square meters have been leased from lessors who were unable to provide the relevant building ownership certificates.

We do not deem these properties crucial to our operations as they are not used as our production facilities and we believe our relocation from these property, if compelled, is not expected to materially interrupt our manufacturing process or sales of our products. If we are compelled to relocate our operations due to title defects, such relocation is expected to take approximately 30 days and cost approximately RMB1.0 million, which is not expected to have any material adverse effect on our financial conditions. Please refer to “Risk Factors – Certain defects in title of our own properties and in our lease agreements relating to certain properties occupied by us in China may materially and adversely affect our ability to use such properties” for detailed discussion of risks relating to defects in title of our lease agreements.

COMPETITION




The PRC footwear manufacturing industry and business casual menswear industry are highly competitive. According to Frost & Sullivan, the PRC footwear market is relatively fragmented. In 2012, the top ten domestic brands had total retail revenue of approximately RMB52.8 billion, representing approximately 50.2% of the total retail revenue for PRC branded footwear. We primarily compete with domestic branded footwear manufacturers based on brand recognition, footwear quality, distribution network and sales channel diversity. See “Risk Factors – Risks Relating to Our Industry – The PRC footwear and menswear manufacturing industry is highly competitive”.

Our significant domestic competitors include, among others, Belle International, Daphne International, Aokang International, Red Dragonfly, C. Banner International, Kangnai and Foshan Saturday.

Our competitors may have more resources with which to design and market their products, and offer better products and/or lower prices than we do, and they may increase their market share at our expense. In addition, some of our competitors are publicly-listed companies on domestic stock exchanges or on foreign stock exchanges and therefore, may have better access to financing from capital markets than we do. However, we plan to continue to (i) expand our sales and distribution network, (ii) offer excellent design, quality and comfort of our products, (iii) maintain strong research and development capabilities and (iv) expand and diversify our product portfolio.

INTELLECTUAL PROPERTY

We recognise the importance of protecting and enforcing our intellectual property rights and rely on intellectual property laws and related registration procedures to protect our intellectual property rights.

As at the Latest Practicable Date, we had 194 registered trademarks, including  **FGN** and **AnyWalk**, with the Trademark Office of the State Administration for Industry and Commerce in the PRC. We have also registered our  in Hong Kong and Taiwan, our  in Taiwan and our **AnyWalk** in Macau, Hong Kong, Taiwan, Russia and Singapore.

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As of the Latest Practicable Date, we have been granted 41 patents for footwear products, including 39 utility model patents and two design patents. As at the Latest Practicable Date, we also had six registered domain names. Please see “Appendix VII – Statutory and General Information – 3B. Our intellectual property rights” to this prospectus for further details.

We safeguard our intellectual property rights through the registration of trademarks, and have included and will continue to include relevant protective provisions in contracts with third parties, including our distributorship agreements. We have encountered instances of counterfeit products sold in certain locations in the PRC market from time to time. We do not believe any of these instances, however, significantly affected our business and operations. When such counterfeit products are discovered, our distributors are required to report the instances to us and to take appropriate actions to stop and prevent such counterfeit products from causing further damage to us.

Further, we have established internal policies to manage the risk of inadvertently infringing third parties’ intellectual property rights in the designs of our branded products. In particular, we have set up Chinese Walls between designers working on our branded products and the products we manufacture for third parties. Our design and development department is also required to ensure that our branded products sold to our ODM customers are not identical or bear a close resemblance to any designs that are already made public. We only employ designs developed by third parties in the products manufactured for our OEM customers, where we obtained the licence or authorisation via the OEM contracts. Our distributors are required to promptly report to us any infringement of our intellectual properties by any third parties or if they find any counterfeit products on the market and to assist us in protecting our intellectual properties. Our employees are required to promptly report any intellectual property infringement or potential infringement by our Group to research, design and development department, who will then liaise with our senior management and legal advisers to assess the relevant risks and report their assessment to our Directors for further action. Our Directors are not aware of any material infringement of our intellectual property rights by third parties or any material infringement by us of third party intellectual property rights during the Track Record Period and up to the Latest Practicable Date.

INSURANCE COVERAGE

We carry insurance to protect against a range of contingencies, including, among others, damage caused by fire, explosion or lightning stroke to property, plant, equipment and inventory in all of our production facilities and warehouses, and social insurance of the type required under PRC law. For information on the requirements as to insurance under PRC law, please see “Regulations” of this prospectus. We did not make any material insurance claims during the Track Record Period.

We do not have insurance coverage for product liability. However, we believe this practice is in line with the general industry practice in the PRC and, as confirmed by Zhong Lun Law Firm, our PRC legal adviser, we are not required to carry any product liability insurance under the relevant PRC laws. As such, our Directors consider that it is not necessary for us to purchase such insurance and that our insurance coverage in general is adequate for our operations.

ENVIRONMENTAL PROTECTION

We are subject to PRC environmental laws and regulations, including the Environment Protection Law of the PRC. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions, discharge of waste water

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and waste residues. We consider the protection of the environment to be important and have obtained ISO14001:2004 certification for design and production (outsourcing) of western-style clothes and trousers, jackets, shirts, T-shirts, casual trousers, production (outsourcing) of belts, wallets, purses, luggage for our production facility located at Changfu Village, Shishi City, Fujian Province, and design and production of adhesive leather shoes and leather sandals for our production facilities located at Baqi Road, Shishi City, Fujian Province. This certification is valid until 16 May 2014.

We require that all raw materials and accessories we use meet certain environmental standards, including obtaining China Environmental Labeling certification. However, certain processes of footwear production including cementing and sole polishing generate gas containing benzene, volatile organic compounds and dusts which are hazardous to our workers. To limit the spread of such compounds and dusts, we have installed air extractors, waste gas purification equipment and dust collectors in our workshops and provide and require our workers to wear protection masks and gloves in these processes. We also arrange the workers working in these processes to shift with those working in other processes every three months. We collect and store glue containers and transfer them to certain resource recycling institution for safely disposal. We have obtained all relevant pollutant discharge permits and we believe that our environmental protection measures are adequate to comply with all applicable current local and national PRC regulations. We paid approximately RMB0.6 million, RMB0.5 million, RMB1.6 million and RMB0.3 million and RMB0.3 million as costs of compliance with the applicable environmental rules and regulations for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. The expected cost of compliance with applicable environmental rules and regulations for the year ending 31 December 2013 is approximately RMB800,000.

As at the Latest Practicable Date, no administrative sanctions, penalties or punishments had been imposed upon us for the violation of any environmental laws or regulations.

SAFETY CONTROL

We are subject to PRC laws and regulations on labor, safety and work-related incidents. All of our employees working in our factories must undertake safety training and a physical examination before commencing work and participate in relevant periodic training on an on-going basis. Such safety training includes work-related safety training and fire safety training. For certain working positions that expose workers to possible personal injuries, such as jobs involving cutting, heating or pressing, we provide our relevant employees with special training and protective measures before they commence work. We conduct safety inspections and hold safety inspection meetings on a monthly basis to eliminate potential safety hazards in our production process. We have obtained OHSAS 18001:1999 certification for our design and production of adhesive leather shoes and leather sandals for our production facilities located at Baqi Road, Shishi City, Fujian Province, with a term of three years commencing from 28 December 2010. This certification demonstrates that our occupational health and safety management system meets international standards.

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

LEGAL PROCEEDINGS AND NON-COMPLIANCE

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our operating results or financial condition. Our PRC legal adviser, Zhong Lun Law Firm, has confirmed that the Company and its PRC subsidiaries have obtained all licences, permits and certificates necessary to conduct their operations and save as disclosed below, operations of the Company and its PRC subsidiaries comply with all the relevant PRC rules and regulations in all material aspects.

We set out below the non-compliances and irregularities relating to our Group during the Track Record Period:

Non-compliance incidents and reasons	Legal consequences and potential maximum penalties and other financial losses	Latest status	Measures taken/to be taken to prevent any future breaches and ensure on-going compliance
<i>PRC employee social insurance scheme contribution regulations</i>			
During the Track Record Period, we did not fully comply with the relevant requirements for making contributions to the social insurance scheme for our relevant employees. We estimate that the social insurance contributions that we may be required to pay as at 31 December 2012 amounted to approximately RMB1.86 million, for the Track Record Period, which is equivalent to the amount of underpayment for (i) employees who participate in the new type of rural social pension insurance; (ii) employees, for whom we are not able to pay unemployment insurance due to their participation in new type of rural social pension insurance instead of social pension insurance; (iii) foreign staff; (iv) employees who participate in the new type of rural medical insurance.	Based on the advice from our PRC legal adviser, besides the outstanding social insurance contributions which we may be required by the relevant authorities to pay up, we may be subject to potential surcharge and fine that could be imposed on us by the relevant authorities.	As at the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant authorities with respect to the non-compliance with the social insurance scheme contribution requirements, and thus we have not settled the outstanding amount of social insurance contribution up to 30 June 2013. Our PRC legal adviser has advised us that, based on the written confirmation issued by Shishi Human Resources and Social Security Bureau on 24 October 2013, and their understanding of relevant regulations, they are of the view that we will not be penalised by Shishi Human Resources and Social Security Bureau for our underpayment of social pension insurance and unemployment insurance for employees who participate in the new type of rural social pension insurance, and the risk of us being penalised for our underpayment for foreign staff and employees who participate in the new type of rural medical insurance is relatively low, and therefore, we did not make any provision for the underpayment of social insurance contributions. Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us due to our non-compliance of the social insurance contribution regulations (except where any amounts have been provided for in the financial statements of our Company or any of its subsidiaries up to 30 June 2013).	We are in the process of arranging for payment of social insurance for eligible employees in accordance with the PRC laws and regulations. Currently, due to several reasons set forth in the paragraph below, we are not able to settle the outstanding amount of social insurance contribution. However, we expect to comply with relevant PRC laws and regulations as soon as practicable. We will disclose the progress of rectification in the interim or annual reports subsequent to the Listing.

Our underpayment of social insurance contribution for some of our employees was primarily due to (i) the impracticability of paying social insurance contributions to certain local human resources and social security bureaus, as a result of the incompatibility

between the relevant PRC regulations and the existing practice involving employees who came from rural areas in the PRC; and (ii) the wishes of certain of our employees who do not want to participate in the social insurance scheme or choose to participate in the new type of rural social pension insurance; (iii) according to the confirmations issued by Shishi Human Resources and Social Security Bureau (石獅市人力資源和社會保障局) on 24 October 2013, employees who participate in the new type of rural social pension insurance scheme shall not participate in social pension insurance, and unemployment insurance should be paid together with social pension insurance. Therefore, we are not able to pay for those employees, who participated in new type of rural social pension insurance during the Track Record Period, the relevant social pension insurance and unemployment insurance. According to “Notice of the Ministry of Human Resources and Social Security, the Ministry of Health and the Ministry of Finance on Issuing the Interim Measures for the Transfer and Continuation of Basic Medical Security Relationships of Migrant Employees” (關於印發流動就業人員基本醫療保障關係轉移接續暫行辦法的通知) and “Guidance Concerning Strengthening and Developing the New Type of Rural Medical Insurance” (關於鞏固和發展新型農村合作醫療制度的指導意見), employees can choose to participate in either medical insurance or new type of rural medical insurance. Accordingly, some of our employees from countryside chose to participate in the new type of rural medical insurance but not medical insurance; (iv) Shishi Human Resources and Social Security Bureau refused to collect social insurance payment for our foreign employees. The estimated amount of our underpayment is relatively insignificant compared to our total turnover. We believe that our underpayment will not have material adverse impacts on our Group’s business and operations.

Non-compliance incidents and reasons	Legal consequences and potential maximum penalties and other financial losses	Latest status	Measures taken/to be taken to prevent any future breaches and ensure on-going compliance
<i>PRC Lending General Provisions</i>			
During the Track Record Period, we, in contravention of Lending General Provisions, issued by the PBOC, extended loans to our related parties, in an aggregate amount of RMB1,787 million, RMB2,442 million and RMB1,379 million in the years ended 31 December 2010, 2011 and 2012, respectively, which was primarily used by our related parties for their working capital and operation purposes, and received aggregate interest from those loans in an amount of RMB24.5 million, RMB26.2 million and RMB10.3 million for the years ended 31 December 2010, 2011 and 2012, respectively. The reason for the non-compliance was that we were unfamiliar with the Lending General Provisions, which were promulgated in 1996 and we thought they were only applicable to financial institutions rather than manufacturing companies. These loans have been fully repaid by our related parties by 10 August 2012.	Our Directors are of the view that the maximum penalty for the non-compliant loans would be RMB89.9 million, which has been confirmed by our PRC legal adviser, Zhong Lun Law Firm. However, on 12 September 2013, our PRC legal adviser, Zhong Lun Law Firm, conducted interviews with the competent authorities, Shishi Banking Regulatory Bureau and the Shishi branch of the PBOC, with regard to our extending loans to our related party, Shishi Fuguiniao, during the Track Record Period. Both Shishi Banking Regulatory Bureau and the Shishi branch of the PBOC have confirmed that they would not penalize our Group for such non-compliance incidents. Based on the results of the interviews, our PRC legal adviser, Zhong Lun Law Firm, is of the view that we will not be penalized by relevant competent authorities for such non-compliance incidents.	As at the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the PBOC with respect to the non-compliance with the loans we lent to Shishi Fuguiniao. Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us due to our non-compliance with the loans we lend to Shishi Fuguiniao.	We have stopped providing any loans to other entities beginning in August 2012, and will not engage in any financing activities as a lender in the future without authorisation from the PBOC. In addition, we have set up a securities and legal department to provide legal support for our daily operations.

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We extended loans to our related parties during the Track Record Period to provide working capital for their business operations. The following table sets forth the outstanding balance with each related party as at 31 December 2010, 2011 and 2012 and 30 June 2013.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Shishi Fuguiniao	233,827	101,560	—	—
Shishi Andy	54,905	23,393	—	—
Xuzhou Fuxingyuan	107,177	91,175	—	—
Shishi Henglin	4,481	4,650	—	—
Lina Real Estate	31,245	5,410	—	—
Quanzhou Tianyuan	2,378	2,467	—	—
	<u>434,013</u>	<u>228,655</u>	<u>—</u>	<u>—</u>

In addition, we have implemented the following internal control measures to prevent recurrence of similar non-compliance incidents and also to ensure our ongoing compliance with the relevant PRC laws and regulations: (i) we have adopted relevant rules regarding connected transactions in 2012, in accordance to which all connected transactions, if any, should obtain appropriate level of approval from our Shareholders, Board of Directors or our chief executive officer, based on the amount of the connected transaction. We will adopt relevant rules in connection with connected transactions in accordance with the Listing Rules upon Listing; (ii) we have engaged an outside domestic legal adviser to provide us with legal advice on an as-needed basis; (iii) we plan to engage an outside Hong Kong legal adviser and a compliance adviser to provide relevant training on a regular basis for our internal control staff to bolster their knowledge and understanding; and (iv) we have established a securities and legal department to monitor our compliance with the relevant PRC laws and regulations in connection with our business operations.

The major functions of our securities and legal department include, among others, (i) monitoring our compliance with PRC and Hong Kong laws and regulations; (ii) drafting, reviewing and providing comments on all contracts and legal documents needed for our daily operation; (iii) preparing quarterly reports, interim reports, annual reports and other announcements required by the Listing Rules; (iv) coordinating and liaising with the CSRC, the SFC, the Hong Kong Stock Exchange and other government and administrative agencies; (v) filing applications for trademarks, patents and copyrights and providing proactive advises regarding protection of our intellectual property rights; (vi) arranging and preparing for Board meetings and Shareholders' meetings; (vii) conducting preliminary research and analysis of relevant laws and regulations to assess legal risks and provide internal legal advice to the extent appropriate; and (viii) liaising with, and seeking legal advice from, our outside legal counsels.

Currently, our securities and legal department consists of seven personnel and is led by Mr. Liu Guodong, as manager, and Mr. Huang Shunyu, as vice manager. Mr. Liu Guodong was qualified as a Certified Public Accountant both in Hong Kong and the PRC. For details of Mr. Liu Guodong's background, please see "Directors, Supervisors and Senior Management – Company Secretary" in this prospectus. Mr. Huang Shunyu has over eight years of experience in capital markets, including five years of experience in other PRC-listed companies. We also have two legal counsels in our securities and legal department, Ms. Li Xiaoying and Mr. Wang Xuming, who have over three years and five

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years legal experience, respectively. We plan to recruit another legal counsel to act as legal manager for our securities and legal department by the end of November 2013. In addition, we will expand our legal department if our business and operations expand in the future.

On the basis of the preventive measures mentioned above, our Directors are of the view that we have adequate internal control procedures in place for purpose of Rule 3A.15(5) of the Listing Rules. Furthermore, having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section and our Group's internal control measures to avoid recurrence of these non-compliance incidents, our Directors are of the view that these past non-compliance incidents do not affect their suitability to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

During the Track Record Period, we were subject to administrative penalties from Shishi Quality and Technical Supervision Bureau in connection with certain of our products not meeting relevant quality and technical standards. The details of these administrative penalties are set forth below:

Administrative action	Administrative Penalties	Latest status	Measures taken/to be taken to prevent future breaches and ensure on-going compliance
On 8 June 2010 and 14 September 2010, Shishi Quality and Technical Supervision Bureau issued penalty decision letters, No. Z15 "Administrative Penalty Decision Letter" (獅質監罰字[2010]第Z15號《行政處罰決定書》) and No. Z28 "Administrative Penalty Decision Letter" (獅質監罰字[2010]第Z28號《行政處罰決定書》), respectively, requesting us to terminate manufacturing two series of our women's footwear products, F009907K and H915111C in 2010, which did not meet the relevant quality and technical supervision standards.	We were required to terminate manufacturing series F009907K and H915111C women's footwear and were given administrative penalty in the amount of RMB17,950 and RMB11,910, respectively. The penalty has been fully paid as at the Latest Practicable Date.	We have terminated manufacturing these two series of women's footwear and fully paid the administrative penalties.	Since 14 September 2010, we have improved our manufacturing procedures that require us to wait 24 hours for the glue's adhesive effect to take place before the footwear products are sent to our finished-product warehouse for distribution, and Shishi Quality and Technical Supervision Bureau has issued us a letter, which confirmed that we did not have any material non-compliance with all the relevant quality and technical control standards during the Track Record Period.

The relevant quality and technical supervision standards of the relevant defective products are that the peel strength of sole should be higher than 40 N/cm. The defect was discovered during the aperiodic inspections from Shishi Quality and Technical Supervision Bureau. The reason the series F009907K and H915111C women's footwear products were deemed defective was their peel strength did not meet the relevant standards. This was primarily because we sent the relevant footwear products to our finished-product warehouse only two hours after they were produced, while according to the nature of the glue used, 12 to 24 hours are generally needed to properly enhance the peel strength of the sole. We have implemented procedures that require us to wait 24 hours for the glue's adhesive effect to

take place before the footwear products are sent to our finished-product warehouse for distribution. Other than disclosed herein, we are not aware of any other material non-compliance with all applicable quality and technical standards during the Track Record Period. In addition, we separated our quality control department from our production department so that the quality control staff can more independently monitor the quality standards of our products.

As to series F009907K women's footwear products, for the year ended 31 December 2010, the sales volume was 925 pairs and the amount of turnover generated was approximately RMB145,000. We did not make any product recall because the transportation of these products took three to seven days and when the products reached our customers, the peel strength of the products has naturally enhanced and the products will meet all of the relevant quality standards since 12 to 24 hours are generally needed to properly enhance the peel strength of the sole. Thus, we did not receive any complaint from our customers with regard to these products.

As to series H915111C women's footwear products, during 2010 we only produced 40 pairs, which were not sold to our customers. We subsequently recalled all of these products after the inspection. The relevant quality and technical supervision standards used in the inspection, the way the defect was discovered and the underlying reason for such defect were the same as the above-mentioned series F009907K women's footwear products.

Since Shishi Quality and Technical Supervision Bureau has confirmed that we did not have any material non-compliance with the relevant quality and technical control standards during the Track Record Period, we believe that the above-mentioned administrative penalties will not have any material adverse impact on our Group's business and results of operations.

The Directors are of the view that they have taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with the PRC laws and regulations.

Our Group reviewed the internal control procedures and as at the Latest Practicable Date, our Group had implemented all of the recommendations identified in the internal control report. On the basis of the Sole Sponsor's review of the enhanced internal control procedures of our Group, the due diligence discussions carried out with our Company's Directors and PRC legal advisors on the reasons for and remedial measures that our Company has taken to prevent the recurrence of similar non-compliance incidents, the Sole Sponsor is not aware of any evidence suggesting that our Group's current internal control system does not comply with paragraph (b)(v) in Appendix 19 to the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and taking no account of any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, our Company will be owned as to approximately 62.10% by Fuguiniao Holdco. Fuguiniao Holdco is an investment holding company owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. In addition, Mr. Lam Wo Ping indirectly owns 3.75% of the issued share capital of our Company through his wholly-owned holding company Wo Hing Trading. Accordingly, as Fuguiniao Holdco, Wo Hing Trading, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, directly or indirectly, will together be entitled to exercise approximately 65.85% of the voting power at general meetings of our Company, each of Fuguiniao Holdco, Wo Hing Trading, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho will be regarded as our Controlling Shareholders under the Listing Rules immediately following the Listing.

Except for their respective interests in our Group, the Controlling Shareholders had no interest in any other companies as of the Latest Practicable Date, which may, directly or indirectly, compete with our Group's business.

NON-COMPETITION UNDERTAKING

Non-competition

The Controlling Shareholders have entered into the Deed of Non-competition in favor of our Company, pursuant to which the Controlling Shareholders have jointly and severally and irrevocably undertaken with our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, including but not limited to, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the “**Restricted Business**”).

The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) the H Shares of our Company remain listed on the Stock Exchange; and (ii) in relation to each Controlling Shareholder, the relevant Controlling Shareholder or any of its/his associate still holds directly or indirectly an equity interest in our Company and (iii) the Controlling Shareholders and/or its/his respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

Options for New Business Opportunities

Each of the Controlling Shareholders has undertaken to procure that, during the restricted period, if any business opportunity is offered to any of the Controlling Shareholders or its/his respective associates which falls within the scope of the Restricted Business, the Controlling Shareholders will immediately notify or cause their associates to notify (“**Offer Notice**”) our Company of such business opportunity, and will assist our Company (and/or its subsidiaries) to obtain such business opportunity on the same terms as those offered to them or their associates, or on more favorable terms or on terms acceptable to our Company (and/or its subsidiaries).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Controlling Shareholders will be entitled to pursue such business opportunity only if (i) the Controlling Shareholders and/or their respective associates have given Offer Notice to our Company in relation to the terms and detailed information with respect to their investment, participation and engagement in and/or operation of such business opportunity; and (ii) such business opportunity as offered by the third party has first been offered to our Company (for itself and for the benefit of its subsidiaries), including: (a) the terms of offer between our Company (for itself and for the benefit of its subsidiaries) and the third party; or (b) the terms on which our Company (and/or its subsidiaries) to engage in the Restricted Business with the Controlling Shareholders and/or their respective associates, and our Company, after review and approval by the independent non-executive Directors or at any general meeting of Shareholders (if applicable), where the Controlling Shareholders shall abstain from voting, has confirmed that our Company (and/or its subsidiaries) does not intend to invest in, conduct, operate or participate in such business opportunity and has made relevant written confirmation to the Controlling Shareholders, and the major terms on which the Controlling Shareholders and/or their respective associates invest in, conduct, operate or participate in such business opportunity subsequently will not be more favorable than those terms offered to our Company.

Options for Acquisitions

For any new business opportunity of the Controlling Shareholders, which has been offered to, but has not been taken up by, our Company (and/or its subsidiaries) and has been retained by the Controlling Shareholders, which falls within the scope of the Restricted Business ("**New Business**"), each of the Controlling Shareholders has undertaken to grant us the option ("**Options for Acquisition**") which is exercisable at any time during the term of the restricted period, subject to relevant applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part/or all of the New Business as described above, or to operate the New Business by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive rights in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders' agreement), our Options for Acquisition shall be subject to such third-party rights. In this case, the Controlling Shareholders will use its/his best efforts to procure the third party to waive its pre-emptive rights.

The Controlling Shareholders shall procure their respective associates (excluding our Company and its subsidiaries) to comply with the Options for Acquisition granted to our Company (for itself and the benefit of its subsidiaries) by the Controlling Shareholders above.

The consideration shall be determined following negotiation between the parties under the fair and reasonable principle according to the valuation conducted by a third-party professional valuer and the mechanism and procedure provided by the applicable laws and regulations.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the Options for Acquisition. When considering whether or not to exercise the Options for Acquisition, the independent non-executive Directors will form their views based on a range of factors, including but not limited to, business scale, business prospect, estimated profitability, investment value and permits and approval requirements.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Pre-emptive Rights

Each of the Controlling Shareholders has undertaken that, during the term of the restricted period, if it intends to transfer, sell, lease or license or otherwise transfer or permit to use any of the interest in the New Business to a third party, the Controlling Shareholders shall notify us by written notice ("**Selling Notice**") in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or license and any information which may be reasonably required by our Company to make a decision. We shall reply to the Controlling Shareholders within 30 days after receiving the Selling Notice. Each of the Controlling Shareholders has undertaken that until it receives the reply from our Company, it shall not notify any third party of the intention to transfer, sell, lease or license such New Business. If the Company decides not to exercise the pre-emptive rights ("**Pre-emptive Rights**") or if our Company does not reply to the Controlling Shareholders within the agreed time period, the Controlling Shareholders are entitled to transfer, sell, lease or license the business to a third party pursuant to the terms stipulated in the Selling Notice.

The Controlling Shareholders shall procure their respective associates (excluding our Company and its subsidiaries) to comply with the Pre-emptive Rights.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the Pre-emptive Rights. When the Controlling Shareholders and/or their respective associates deliver to us the Selling Notice, we will report to our independent non-executive Directors within seven days of receipt for their consideration before reverting to the Controlling Shareholders and/or their respective associates within the 30 days period from the date of receiving such Selling Notice. When considering whether or not to exercise the Pre-emptive Rights, the independent non-executive Directors will form their views based on a range of factors, including but not limited to, business scale, business prospect, estimated profitability, investment value and permits and approval requirements.

Exceptions

In the event that the Board or general meeting of Shareholders resolves that it is appropriate for the Controlling Shareholders and/or their respective associates and our Company (and/or its subsidiaries) to jointly invest in, conduct, operate or participate in the business opportunity offered by such third party as mentioned under the paragraph headed "Options for New Business Opportunities" above, and if our Company gives written invitation, the Controlling Shareholders and/or their respective associates may together with our Company (and/or its subsidiaries), jointly invest in, conduct, operate or participate in the business opportunity subject to the provisions of the Listing Rules and any requirement from the Stock Exchange (including but not limited to the obtaining of approval from the independent non-executive Directors and independent Shareholders of the Company and/or other approvals).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In addition, in any one of the following circumstances, the Controlling Shareholders and/or their respective associates may hold or own business identical with or similar to the Restricted Business, as well as the shares or any other securities of any company (“**Listed Company**”) listed on any stock exchange recognised by the laws of the relevant countries (including a stock exchange recognised by the laws and regulations of the PRC):

- (a) the latest audited financial statements of the Listed Company prepared in accordance with the relevant accounting standards and systems (if the Listed Company has prepared unconsolidated financial statements and consolidated financial statements simultaneously, then such consolidated financial statements) show that the turnover of those business identical with or similar to Restricted Business accounts for no more than 10% of the total consolidated turnover of each of the Company and the Listed Company, or the net assets of such business accounts for no more than 10% of the total consolidated assets of each of the Company and the Listed Company; or
- (b) the total number of the shares held by the Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the total issued share capital of such Listed Company, and the Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of such Listed Company, and at any time there should exist at least another shareholder of the Listed Company whose shareholding in such Listed Company is higher than the total number of shares held by the Controlling Shareholders and/or their respective associates in aggregate.

Further Undertaking

Each of the Controlling Shareholders has further undertaken that:

- (a) upon the request of our independent non-executive Directors, it will provide all information necessary for our independent non-executive Directors to review the Controlling Shareholders’ and their respective associates’ (excluding our Company and its subsidiaries) compliance with and enforcement of the Deed of Non-competition;
- (b) it agrees that we disclose the decision made by the independent non-executive Directors related to the compliance with and enforcement of the Deed of Non-competition in our annual report, or by way of announcement; and
- (c) it will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Deed of Non-competition for us to disclose in our annual report.

The Controlling Shareholders have been informed that our Company will also adopt the following procedures to make sure that the undertakings under the Deed of Non-competition are observed by the Controlling Shareholders:

- (a) we will provide to our independent non-executive Directors the Offer Notice and Selling Notice (as the case may be) within seven days of receipt;
- (b) our independent non-executive Directors will report in our announcement or annual report after Listing (a) their findings on the compliance by the Controlling

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Shareholders and/or their respective associates of the Deed of Non-competition and (b) any decision made pursuant to the Offer Notice, Options for Acquisitions and Pre-emptive Rights granted to the Company and the basis of such decision; and

- (c) the Directors consider that the independent non-executive Directors have sufficient experience in assessing whether or not to take up the new business opportunities or exercise the Pre-emptive Rights. In any event, the independent non-executive Directors may appoint financial adviser or professional expert to provide advice, at the cost of the Company, in connection with the decision on Offer Notice, the exercise or non-exercise of the Options for Acquisitions and Pre-emptive Rights under the Deed of Non-competition.

Indemnity

In the event that any of the Controlling Shareholders is in violation of any undertakings in the Deed of Non-competition, or any representation made under the Deed of Non-competition is untrue, incorrect or misleading, such Controlling Shareholder agrees to indemnify our Company and its subsidiaries for all losses (including but not limited to loss of business) incurred by the same as a result of such violation.

DIRECTORS

Each of our Directors confirms that he or she is not interested in any business apart from our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business. Moreover, pursuant to their respective service agreements, our executive Directors will not at any time during their terms of service with our Group without the prior written consent of the Board be or become a director of any company (other than our Company or any other member of our Group) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independently of the Controlling Shareholders and its/his respective associates after completion of the Global Offering:

Management independence

Our Board comprises three executive Directors, four non-executive Directors and four independent non-executive Directors. Mr. Lam Wo Ping, a Controlling Shareholder of our Company, is one of our executive Directors and the chairman of the Board. Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, the Controlling Shareholders of our Company, are non-executive Directors.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his/her fiduciary duties as a Director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/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 our Directors or their respective associates, the interested Director(s) shall abstain from voting at the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders following the completion of the Global Offering.

Operational independence

We have independent access to sources of supplies or raw materials for the production of our products as well as independent access to our distributors. We have also established a set of internal control procedures to facilitate the effective operation of our business.

In relation to our leasing of premises from Shishi Fuguiniao which is wholly-owned by Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, these lease agreements were entered into on normal commercial terms after arm's length negotiations and the rentals payable by our Group are fair and reasonable and consistent with the prevailing market rates for similar premises in similar locations in the PRC. For further details of such lease agreements, please refer to the section headed "Connected Transactions" of this prospectus. Our Directors are of the view that even if these lease agreements are terminated and the relevant premises are no longer available to our Group, our Group would be able to find suitable premises from third-party lessors in the same districts to satisfy its need for alternative premises for its business operation, with fair and reasonable rentals consistent with the prevailing market rates through arm's length negotiation and without undue delay or inconvenience.

Therefore, we believe that we are capable of carrying on our business independently of the Controlling Shareholders and its/his respective associates. Our Directors confirmed that our Group will not enter into any transactions of similar nature with our connected persons and its/his associates after the Listing that will affect our operational independence.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. Our Directors confirm that all financial assistance, including amounts due to or from, and loans or guarantees provided by our Controlling Shareholders, will be fully repaid or released before the Listing and our Group's accounting and finance functions are independent of our Controlling Shareholders. Our Directors confirm that our Group does not intend to obtain any further borrowing from any of the Controlling Shareholders. Therefore, there is no financial dependence on the Controlling Shareholders.

CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in Note 27 to Section B of the Accountant's Report in Appendix I to this prospectus. Save as described below, these related party transactions have discontinued before the Latest Practicable Date.

CONNECTED PERSON

As at the Latest Practicable Date, Shishi Fuguiniao is owned as to 25% by Mr. Lam Wo Ping, 25% by Mr. Lam Wo Sze, 25% by Mr. Lam Kwok Keung and 25% by Mr. Lam Wing Ho, with all of whom also as its directors. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho.

Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho are also Directors and substantial Shareholders of our Company, and therefore are connected persons of our Group. Pursuant to Rule 14A.11(4)(c)(ii) of the Listing Rules, as Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho in aggregation hold the entire equity interest in Shishi Fuguiniao, Shishi Fuguiniao shall be deemed as an associate of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, and therefore, a connected person of our Group.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Certain members of our Group have entered into certain lease agreements ("**Lease Agreements**") in relation to the following lease transactions (the "**Lease Transactions**") with Shishi Fuguiniao and the Lease Transactions will continue after the Listing Date, thereby constitute continuing connected transactions of our Group under the Listing Rules upon Listing.

No.	Location	Member of our Group as Lessee	Lessor	Term and Rental (RMB)	Type of Premises
1.	Nos. 217-219, 1st Floor, Fulin Building, Changfu Road, Shishi City, Fujian Province	Fujian Fuguiniao	Shishi Fuguiniao	Term: from 1 July 2013 to 31 December 2015 Rental: 8,000/month	Retail store with a gross floor area of approximately 231.55 square meters
2.	Qianyuan Village, Baogai Town, Shishi City, Fujian Province	Our Company	Shishi Fuguiniao	Term: from 1 November 2013 to 31 December 2015 Rental: 500,000/month	Office buildings, workshops and dormitories, with a gross floor area of 62,078.87 square meters

CONNECTED TRANSACTIONS

No.	Location	Member of our Group as Lessee	Lessor	Term and Rental (RMB)	Type of Premises
3.	Baqi Road, Shishi City, Fujian Province	Our Company	Shishi Fuguiniao	Term: from 1 November 2013 to 31 December 2015 Rental: 750,000/month	Office facilities, workshops and dormitories, with a gross floor area of approximately 95,579.46 square meters

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the amount of rental paid by our Group in respect of leasing of the above-mentioned properties were approximately RMB5,017,000, RMB5,077,000, RMB60,000 and RMB30,000, respectively. The significant decrease in rental payment for the year ended 31 December 2012 and the six months ended 30 June 2013 was due to the fact that Shishi Fuguiniao transferred the properties located in Qianyuan Village, Baogai Town, Shishi City, Fujian Province (No. 2 in the above table) to our Group in January 2012 for commercial reasons and the lease arrangement of such properties was terminated accordingly in January 2012. As disclosed in the paragraph headed “Production – Relocation plan” under the section headed “Business” in the prospectus, such property had been transferred back to Shishi Fuguiniao in October 2013, and the Lease Agreement in relation to such properties was entered into between the Company and Shishi Fuguiniao on 1 November 2013.

Rental for each of the Lease Agreements was negotiated between our Group and Shishi Fuguiniao with reference to the then prevailing market rates. DTZ Debenham Tie Leung Limited, an independent property valuer, confirmed that the rent payable by our Group under each of the Lease Agreements represents the prevailing market rates for properties of similar quality in neighbouring areas to which the premises are located, and the terms of the Lease Agreements are fair, reasonable and on normal commercial terms.

Having considered that the Lease Agreements have been entered into by our Company with the same party, and are of the same nature, our Directors consider that transactions under the Lease Agreements shall be aggregated pursuant to Rule 14A.25 of the Listing Rules. It is expected that the aggregate annual rental for each of the three financial years ending 31 December 2015 payable by our Group in respect of the leasing of the target properties of the Lease Agreements will not exceed the maximum annual cap of RMB2,578,000, RMB15,096,000 and RMB15,096,000, respectively. The rental payable under the Lease Agreements are payable every six months and were determined after arm’s length negotiations with reference to the prevailing market rates for comparable properties. As one or more of the applicable ratios (other than the profits ratio) for the Lease Agreements (on an aggregated basis) are expected to be more than 0.1% but less than 5% on an annual basis, the Lease Transactions constitute continuing connected transactions of our Company which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

CONFIRMATIONS

Directors' Confirmation

Our Directors (including our independent non-executive Directors) consider that disclosure of the Lease Transactions in full compliance with the Listing Rules would add unnecessary administrative costs to our Company. In addition, our Directors believe that it is in the interests of our Company to continue with these Lease Transactions after Listing. They also consider that such Lease Transactions are in the interests of our Company and our Shareholders as a whole and are conducted in the ordinary and usual course of our business and on normal commercial terms which are fair and reasonable. Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of all of the Lease Transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Sole Sponsor's Confirmation

After review of the relevant documentation and historical figures provided by us, the Sole Sponsor is of the opinion that (i) the terms of the Lease Agreements have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the annual caps for the Lease Agreements are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

WAIVER FROM THE STOCK EXCHANGE

On the basis of the above, we have applied to the Stock Exchange for and the Stock Exchange has granted to us a conditional waiver from strict compliance with the announcement requirement under Rule 14A.42(3) for the continuing connected transactions, i.e., the Lease Transactions, subject to the Sole Sponsor and the Directors, including the independent non-executive Directors, confirming that in their views:

- (i) the Lease Transactions have been and shall be entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (ii) that the annual caps for the Lease Transactions are fair and reasonable and in the interests of the Shareholders as a whole.

If any terms of the Lease Transaction are altered or if our Company enters into any new agreement with any connected persons (within the meaning of the Listing Rules) in the future, our Company will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

GENERAL

The following tables set forth certain information regarding members of our Board and our board of Supervisors:

Members of Our Board

Name	Age	Position	Date of Appointment	Roles and Responsibilities	Relationship among them
Mr. Lam Wo Ping (林和平)	56	Executive Director and chairman of the Board	29 June 2012	overall strategies, planning and business development	a brother of Mr. Lam Wo Sze, as well as a cousin of both Mr. Lam Kwok Keung and Mr. Lam Wing Ho
Ms. Han Ying (韓英).	59	Executive Director and vice general manager	29 June 2012	overall management and development of women's footwear business	N/A
Mr. Hong Huihuang (洪輝煌)	42	Executive Director and vice general manager	29 June 2012	overall management and development of casual menswear business	N/A
Mr. Lam Wo Sze (林和獅)	60	Non-executive Director	29 June 2012	provide strategic advice to our Group and attending meetings of the Board to perform duties, but not engaged in daily management of our business operation	a brother of Mr. Lam Wo Ping, as well as a cousin of both Mr. Lam Kwok Keung and Mr. Lam Wing Ho
Mr. Lam Kwok Keung (林國強). . .	56	Non-executive Director	29 June 2012	provide strategic advice to our Group and attending meetings of the Board to perform duties, but not engaged in daily management of our business operation	a cousin of Mr. Lam Wo Ping, as well as a cousin of both Mr. Lam Wo Sze and Mr. Lam Wing Ho.
Mr. Lam Wing Ho (林榮河)	57	Non-executive Director	12 May 2013	provide strategic advice to our Group and attending meetings of the Board to perform duties, but not engaged in daily management of our business operation	a cousin of Mr. Lam Wo Ping, as well as a cousin of both Mr. Lam Wo Sze and Mr. Lam Kwok Keung
Mr. Zhai Gang (翟剛).	38	Non-executive Director	29 June 2012	provide strategic advice to our Group and attending meetings of the Board to perform duties, but not engaged in daily management of our business operation	N/A

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment	Roles and Responsibilities	Relationship among them
Mr. Wang Zhiqiang (王志強)	45	Independent non-executive Director	29 June 2012	Providing independent opinion and judgement to our Board, in particular with regard to the financial aspects of our Company	N/A
Ms. Long Xiaoning (龍小寧)	42	Independent non-executive Director	29 June 2012	Providing independent opinion and judgement to our Board	N/A
Mr. Li Yuzhong (李玉中)	47	Independent non-executive Director	29 June 2012	Providing independent opinion and judgement to our Board	N/A
Mr. Zhang Huaqiao (張化橋)	50	Independent non-executive Director	12 May 2013	Providing independent opinion and judgement to our Board	N/A

Members of Our Board of Supervisors

Name	Age	Position	Date of Appointment	Roles and Responsibilities
Mr. Zhang Haimu (章海木) .	37	Chairman of the board of Supervisors	29 June 2012	Monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of our Board and senior management
Mr. Zhou Xinyu (周新宇) . .	37	Supervisor	29 June 2012	Monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of our Board and senior management
Ms. Wang Xinhui (汪心慧) .	40	Supervisor	29 June 2012	Monitoring and overseeing our Company's financial matters, examining our Company's periodic reports, and supervising the conduct of our Board and senior management

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of eleven Directors, comprising three executive Directors, four non-executive Directors and four independent non-executive Directors. Each of the Directors has entered into a service contract with our Company for a term commencing on the Listing Date and ending on the expiration of the term of the first Board of Directors, which is for a period of three years from 29 June 2012. The functions and duties of our Board include, but are not limited to: convening Shareholders' meetings, reporting the Board's work at the Shareholders' meetings, implementing the resolutions passed at the Shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the Articles of Association.

All of our existing Directors, except Mr. Lam Wing Ho and Mr. Zhang Huaqiao, were elected to their current term on the Board on 29 June 2012. Mr. Lam Wing Ho and Mr. Zhang Huaqiao were elected to their current term on 12 May 2013.

Executive Directors

Mr. Lam Wo Ping (林和平), aged 56, is one of the Founders of our Group, and is an executive Director and the chairman of the Board of our Company. He concurrently also serves as director of our subsidiaries of Hong Kong Fuguiniao and Hong Kong Anywalk, as well as the chairman of board of directors of our subsidiary Fujian Fuguiniao. Mr. Lam is primarily responsible for the overall strategies, planning and business development of our Group. Mr. Lam has over 29 years of experience in the footwear and apparel industry. He once held positions of chairman of board of directors of Fulin Footwear from August 1991 to October 2010, the chairman of board of directors of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and the chairman of board of directors of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012.

Mr. Lam has received numerous recognitions and awards during the past years, including the recognition as a senior economist (高級經濟師) by Fujian Title Reform Leading Group (福建省職稱改革領導小組) and Fujian Human Resources Department (福建省人事廳) in December 1997, and the title of National Model Worker in Light Industry (全國輕工業勞動模範) by the Ministry of Personnel of the PRC (中華人民共和國人事部), China National Light Industry Council (中國輕工業聯合會) and All China Federation of Handicraft Industrial Cooperatives (中華全國手工業合作總社) in December 2007. He has also been the vice president of the Fujian Industry and Commerce League (General Chamber of Commerce) (福建省工商業聯合會(總商會)) since September 2012. Mr. Lam Wo Ping has enrolled to and is currently attending the course in relation to capital operation for chief executives organised by Executive Development Program Center of the Management School of Xiamen University (廈門大學), which is a one year course.

Mr. Lam Wo Ping is the brother of Mr. Lam Wo Sze, our non-executive Director, as well as a cousin of both Mr. Lam Kwok Keung and Mr. Lam Wing Ho, our non-executive Directors.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Han Ying (韓英), aged 59, is an executive Director and a vice general manager of our Company, and is primarily responsible for the overall management and development of our women's footwear business. Ms. Han has over 42 years of experience in the footwear and apparel industry. Before joining our Group, she worked as the chief statistician of Hangzhou Honglei Leather Shoe Factory (杭州紅雷皮鞋廠) from January 1971 to June 1987. From July 1987 to March 1997, she worked for Teliya Co., Ltd. (特麗雅有限公司), a sino-foreign joint venture, and held positions including workshop manager, manager of production department, manager of supply department and assistant to the general manager. Ms. Han joined our Company in April 1997, and held positions including the manager of women's footwear unit and general manager of our Group. Ms. Han passed the self-study examinations in statistics and received a graduation certificate from Hangzhou Electronics Industry College (杭州電子工業學院) (now Hangzhou University of Electronic Science and Technology (杭州電子科技大學)) in December 1989.

Mr. Hong Huihuang (洪輝煌), aged 42, is an executive Director and a vice general manager of our Company, and is primarily responsible for the overall management and development of our casual menswear business. Mr. Hong has over 26 years of experience in the footwear and apparel industry. He was mainly engaged in administration and management of his own apparel business from the beginning of 1987 to December 2003. Mr. Hong obtained license from our Group in May 2004 for the sale of business casual menswear products under Fuguiniao brand and has held the position of general manager of Shishi Fuguiniao Apparel Development Co., Ltd. (石獅市富貴鳥服飾發展有限公司). Mr. Hong has been the chief executive of the apparel business unit of our Group since April 2011.

Non-Executive Directors

Mr. Lam Wo Sze (林和獅), aged 60, is one of the Founders of our Group, and is a non-executive Director of our Company. He concurrently also serves as director of our subsidiaries of Hong Kong Fuguiniao, Hong Kong Anywalk, and Fujian Fuguiniao. Mr. Lam has over 29 years of experience in the footwear and apparel industry. He once held positions of vice chairman of board of directors of Fulin Footwear from August 1991 to October 2010, vice chairman of board of directors of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and the vice chairman of board of directors of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012. He was recognised as a senior economist (高級經濟師) by Fujian Human Resources Department (福建省人事廳) in September 2001.

Mr. Lam Wo Sze is the brother of Mr. Lam Wo Ping, our executive Director, as well as a cousin of both Mr. Lam Kwok Keung and Mr. Lam Wing Ho, our non-executive Directors.

Mr. Lam Kwok Keung (林國強), aged 56, is one of the Founders of our Group, and is a non-executive Director of our Company. He concurrently also serves as director of our subsidiaries of Hong Kong Fuguiniao, Hong Kong Anywalk, and Fujian Fuguiniao. Mr. Lam has over 29 years of experience in the footwear and apparel industry. He once held positions of vice chairman of board of directors of Fulin Footwear from August 1991 to October 2010, vice chairman of board of directors of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and vice chairman of board of directors of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012. He was recognised as a senior economist (高級經濟師) by Fujian Human Resources Department (福建省人事廳) in September 2001.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Lam Kwok Keung is a cousin of Mr. Lam Wo Ping, our executive Director, as well as a cousin of both Mr. Lam Wo Sze and Mr. Lam Wing Ho, our non-executive Directors.

Mr. Lam Wing Ho (林榮河), aged 57, is one of the Founders of our Group, and is a non-executive Director of our Company. He concurrently also serves as director of our subsidiaries of Hong Kong Fuguiniao, Hong Kong Anywalk, and Fujian Fuguiniao. Mr. Lam has over 29 years of experience in the footwear and apparel industry. He once held positions of the vice-chairman and general manager of Fulin Footwear from August 1991 to October 2010, a director of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and a director of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012. He was recognised as a senior economist (高級經濟師) by Fujian Human Resources Department (福建省人事廳) in September 2001. He concurrently also holds positions including deputy chairman of China National Garment Association (中國服裝協會) and honorary chairman of Quanzhou Textile and Garments Commerce Chamber (泉州市紡織服裝商會).

Mr. Lam Wing Ho is a cousin of Mr. Lam Wo Ping, our executive Director, as well as a cousin of both Mr. Lam Wo Sze and Mr. Lam Kwok Keung, our non-executive Directors.

Mr. Zhai Gang (翟剛), aged 38, is a non-executive Director of our Company. Mr. Zhai has over 12 years of experience in investment management. He once held positions of senior staff member of Jiangsu Planning and Economic Committee (江蘇省計劃經濟委員會副主任科員) from July 1995 to July 2000, the deputy director of the investment department of Jiangsu Traffic Holding Co., Ltd. (江蘇交通控股公司) from January 2001 to August 2009, and general manager of Nanjing Sharelink Venture Capital Co., Ltd. (南京協立創業投資有限公司) from October 2009 to December 2011. Since January 2012, he has been the general manager of Nanjing Sharelink Investment Management Co., Ltd. (南京協立投資管理有限公司). He also holds a concurrent position as the representative of the managing partner of Junding Investments, one of our Shareholders. He received a bachelor's degree in quantitative economics from Nanjing University (南京大學) in July 1995 and a master's degree in business administration from Nanjing University in May 2001.

Independent Non-Executive Directors

Mr. Wang Zhiqiang (王志強), aged 45, is an independent non-executive Director of our Company. He is also a professor in accounting and doctoral supervisor in accounting of Xiamen University (廈門大學). From July 1991 to September 1998, he held positions of lecturer and associate professor of the School of Economics, Xiamen University. Since September 1998, he has held positions including associate professor, professor and assistant to dean of the School of Management, Xiamen University. For the period from September 2006 to September 2008, he also held concurrent positions as assistant to the dean of the Institute for Financial Management & Accounting Studies from of Xiamen University. In addition to his academic participation, Mr. Wang has also been an independent director of Fujian Minfa Aluminum Inc (福建省閩發鋁業股份有限公司, stock code: 002578) since December 2010, and an independent director of Fujian Septwolves Industry Co., Ltd. (福建七匹狼實業股份有限公司, stock code: 002029) since July 2010, both of which are listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange (深圳證券交易所中小企業板). He has also been an independent director of Shenyang Sinqi Pharmaceutical Co., Ltd. (瀋陽興齊眼藥股份有限公司) since December 2011 and an independent director of Deerway Co., Ltd. (德爾惠股份有限公司) since September 2012. He received a doctorate in economics (specialized in accounting) from Xiamen University in July 2002. Mr. Wang have also attended and completed the training provided by Shenzhen Stock Exchange to senior management of listed companies in March 2010.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Long Xiaoning (龍小寧), aged 42, is an independent non-executive Director of our Company. She once held the positions of assistant professor and associate professor of Colgate University in the United States from July 2001 to June 2007 and from July 2007 to July 2011, respectively. She has been a professor of Wang Yanan Institute for Studies in Economics (王亞南經濟研究院) and School of Economics, Xiamen University since September 2011. She received a doctorate in economics from Washington University in St. Louis in May 2001. She has been appointed as the head of the Department of Economics of Xiamen University (廈門大學) since February 2013.

Mr. Li Yuzhong (李玉中), aged 47, is an independent non-executive Director of our Company. He worked for China Leather and Footwear Industry Research Institute (中國皮革和制鞋研究院) from July 1989 to April 1990, and then has been working for China Leather Association (中國皮革協會) since April 1990, where he held the position of vice secretary general from September 1999 to September 2007, vice president from September 2007 to September 2011, and has been vice managing president and secretary general since September 2011. He has also been an independent director of Guirenniao Co., Ltd. (貴人鳥股份有限公司) since March 2011 and an independent director of Qingdao Hengda Co., Ltd. (青島亨達股份有限公司) since June 2011. He received a bachelor's degree in leather engineering from Northwest Institute of Light Industry (西北輕工業學院) (now Shaanxi University of Science and Technology (陝西科技大學)) in July 1989, and completed a long distance learning program and graduated as a postgraduate student in economic management from Party School of the Central Committee of C.P.C. (中共中央黨校) in May 2001.

Mr. Zhang Huaqiao (張化橋), aged 50, is an independent non-executive Director of our Company. He has been a director of Nanjing Central Emporium (Group) Co., Ltd. (南京中央商場(集團)股份有限公司) (stock code: 600280), a company listed on Shanghai Stock Exchange (上海證券交易所) since March 2013. He is also an independent non-executive director of Fosun International Limited (stock code: 656), Zhong An Real Estate Limited (stock code: 672) and China Huirong Financial Holdings Limited (stock code: 1290), and a non-executive director of Boer Power Holdings Limited (stock code: 1685) and Oriental City Group Holdings Limited (stock code: 8325), the shares of which are all listed on the Stock Exchange. He was the chairman of Guangzhou Wansui Micro Credit Co., Ltd. before and an executive director and chief executive officer of Man Sang International Limited (stock code: 938), a company whose shares are listed on the Stock Exchange, between September 2011 and April 2012. From July 1994 to July 1995, Mr. Zhang was employed in the equity capital markets department of Swiss Bank Corporation. From June 1999 to April 2006, Mr. Zhang had worked with UBS Securities Asia Limited and was promoted to the co-head of the China research team of its equities department as his last capacity. From May 2006 to September 2008, he served as an executive director and the chief operation officer of Shenzhen Investment Limited (深圳控股有限公司) (stock code: 604), a company whose shares are listed on the Stock Exchange. From September 2008 to June 2011, he was employed by UBS AG and the last capacity he held was deputy head of UBS China IBD. Mr. Zhang graduated from the Graduate School of the People's Bank of China with a master's degree in economics in July 1986 and from the Australian National University with a master's degree in economics in April 1991.

Except as disclosed herein, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there are no other matters relating to the appointment of Directors that need to be brought to the attention of the Shareholders, nor is there any information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, including matters relating to directorships held by Directors in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF SUPERVISORS

The board of Supervisors of the Company consists of three members. The employee representative Supervisor, namely Mr. Zhang Haimu, was elected by employees, and the other Supervisors were elected by our Shareholders. Each of the Supervisors has entered into a service contract with our Company for a term commencing on the Listing Date and ending on the expiration of the term of the first board of Supervisors, which is for a period of three years from 29 June 2012. The functions and duties of the board of Supervisors include, but are not limited to: reviewing and verifying financial reports; and, if in doubt, appointing certified public accountants and practicing auditors to re-examine the Company's financial information; monitoring the business activities of the Company; supervising the performance of the Directors, the chairman of the Board and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the chairman of the Board and senior management members to rectify actions which are damaging to the Company's interests; and exercising other rights given to them under the Articles of Association.

All of our existing Supervisors were elected to their current term on the board of Supervisors on 29 June 2012.

Mr. Zhang Haimu (章海木), aged 37, is the chairman of the board of Supervisors and the chairman of the labor union of our Company. Mr. Zhang has over 18 years of experience in financial management. Mr. Zhang once held positions of financial staff of Hainan Industrial Equipment Installation Supplies Co., Ltd. (海南省工業設備安裝物資公司) from July 1995 to January 2001. He has been financial staff of our Company since April 2001, and was elected as the chairman of the labor union of our Company since August 2010 for a term of three years. He was elected as a member of the fifth committee of Shishi General Union (石獅市總工會) in February 2012 with a term of three years. He was also elected as the supervising chairman of the council of the Chamber of Commerce of Anxi, Shishi (石獅市安溪商會) in April 2013 with a term of three years. Mr. Zhang passed the self-study examinations in computer accounting and received a graduation certificate from Hainan University (海南大學) in December 1998.

Mr. Zhou Xinyu (周新宇), aged 37, is a Supervisor of our Company. He has also been the director of the human resource administrative department of our Company since March 2011. Mr. Zhou has over 13 years of experience in human resources management and corporate administration. He once held positions of human resource director and manager in Jealousy International Garments (Guangdong) Co., Ltd. (廣東嘉莉詩(國際)服裝集團) from August 1999 to July 2002, head of the personnel administration division of Matsubayashi Optics (Guangzhou) Co., Ltd. (天活松林光學(廣州)有限公司) from July 2002 to July 2005, chief human resource officer of Guangzhou Postel Mobile Co., Ltd. (廣州中郵普泰移動通訊設備有限公司) from August 2005 to August 2007, and administrative vice manager, chief human resource officer and chairman of the labor union of Fujian Fynex Textiles Technology Co., Ltd. (福建鳳竹紡織科技股份有限公司) from August 2007 to December 2010. Mr. Zhou received a master's degree in business administration from Lingnan College, Sun Yat-Sen University (中山大學嶺南學院) in June 2007. He also received the certificate of senior level of human resources management issued by Hubei Province Human Resources and Social Security Bureau (湖北省人力資源和社會保障廳) (formerly known as Hubei Province Labor and Social Security Bureau (湖北省勞動和社會保障廳)) in September 2005.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Wang Xinhui (汪心慧), aged 40, is a Supervisor of our Company. Ms. Wang once was a full-time attorney of Anhui Chengyi Law Firm (安徽承義律師事務所) from December 2002 to December 2010, and a partner and the head of capital and securities team with the Shanghai Office of Beijing Yingke Law Firm (北京盈科(上海)律師事務所) since July 2011. Since February 2012, she has been working as the chief legal adviser of Leading Investments, one of the Shareholders of our Company. Ms. Wang received a bachelor's degree in law from East China College of Politic Science and Law (華東政法學院) (now East China University of Politic Science and Law (華東政法大學)) in July 1995.

SENIOR MANAGEMENT

Name	Age	Position
Mr. Lam Wo Ping (林和平)	56	Executive Director and chairman of the Board
Ms. Han Ying (韓英)	59	Executive Director and vice general manager
Mr. Hong Huihuang (洪輝煌)	42	Executive Director and vice general manager
Mr. Lu Wenli (路文歷)	52	Chief executive officer
Ms. Wu Haimin (吳海民)	41	Vice general manager
Mr. Tong Jinlong (童金龍)	60	Vice general manager
Ms. Yang Jian (楊健)	39	Chief financial officer and secretary to the Board

For details of biographies of Mr. Lam Wo Ping, Ms. Han Ying and Mr. Hong Huihuang, please refer to the subsection headed “Board of Directors – Executive Directors” above.

Mr. Lu Wenli (路文歷), aged 52, is the chief executive officer of our Company and is primarily responsible for the operation of our Group. Mr. Lu has over 14 years of experience in footwear and apparel industry. Mr. Lu once serves as the marketing director of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from January 2003 to December 2007. From January 1999 to May 2000, Mr Lu served as sales and marketing director of Quanzhou Yiyuan Shoe Industry Co., Ltd. (泉州益源鞋業有限公司). From March 2001 to December 2002, he worked as the sales and marketing director of Xtep (China) Co., Ltd. (特步中國有限公司). Mr. Lu rejoined our Group in January 2013 and has held the position of general manager since April 2013. Mr. Lu has enrolled to and is currently taking the EMBA program at Xiamen University (廈門大學).

Ms. Wu Haimin (吳海民), aged 41, is a vice general manager of our Company and is primarily responsible for the management of production of our Group. Ms. Wu has over 24 years of experience in management of production of footwear. Prior to joining our Group, she held the position of workshop manager in Teliya Leather Shoe Co., Ltd. (特麗雅皮鞋有限公司) from September 1989 to July 1997. She joined our Group in July 1997 and held positions of workshop manager, production manager, and manager of production department of our Company till December 2007. She has served as a vice general manager of our Group since January 2008. Ms. Wu received a junior college degree of English language from Zhejiang Province Department Employee Colleges (浙江省級機關職工業餘大學) in July 1994.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Tong Jinlong (童金龍), aged 60, is a vice general manager of our Company and is primarily responsible for the marketing and sales of the products of our Group. Mr. Tong has over 30 years of experience in the footwear industry. Prior to joining our Group, he once worked at Shanghai Baoji Leather Shoes Factory (上海寶駢皮鞋廠). He joined our Group in September 1998 and had held the position of marketing and sales vice general manager of the Company until January 2008. In February 2008, he was promoted to vice general manager of the Company. He received a junior college degree of Equipment Management from Business School of Shanghai University (上海大學) in December 1990.

Ms. Yang Jian (楊健), aged 39, is the chief financial officer of our Company and secretary to the Board, and is primarily responsible for the overall financial and accounting affairs, as well as general affairs of the Board of the Company. Ms. Yang has over 17 years of experience in finance and accounting. Prior to joining our Group, she worked for China Construction Bank Co., Ltd. Haidian Sub-branch directly under the Hainan head office (中國建設銀行股份有限公司海南省直屬海甸支行) from July 1995 to June 1999, and held positions including accounting manager, deputy director of general office, etc.. From August 2001 to March 2002, she served as accounting supervisor in Guangdong Ciba Specialty Chemicals Co., Ltd. (廣東汽巴精化有限公司). From January 2003 to March 2006, she worked as senior manager of Baass Business Solutions Inc. in Canada. She joined our Group in September 2006 and has held the position of chief financial officer since March 2008. Ms. Yang received a bachelor's degree in investment economics from Huazhong University of Science and Technology (華中科技大學) in July 1995, a master's degree in accounting from Jinan University (暨南大學) in June 2002 and a MBA degree from Schulich School of Business, York University in June 2008. She was qualified as a Certified Public Accountant of PRC, Certified General Accountant of Canada and fellow member of Association of Chartered Certified Accountants (ACCA) in December 2002, April 2006 and November 2009, respectively.

COMPANY SECRETARY

Mr. Liu Guodong (劉國棟), aged 31, was appointed as the company secretary of our Company on 30 July 2013. Mr. Liu joined our Group in January 2010 and has served as the manager of securities department and financial department of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) and subsequently our Company since then. Prior to joining our Group, he worked for Xiamen Dahao Lianhe Accounting Firm (廈門達豪聯合會計師事務所) and held the position of auditing manager from August 2004 to January 2010. Mr. Liu obtained a bachelor's degree in management from Xiamen University (廈門大學) in July 2004. He was qualified as a Certified Public Accountant in Hong Kong (as defined in the Professional Accountants Ordinance) in July 2010, a Certified Public Accountant in the PRC in September 2006, a Certified Tax Agent in the PRC in June 2008 and a Certified Public Valuer in the PRC in September 2010.

BOARD COMMITTEES

Audit committee

The audit committee consists of three Directors: Mr. Wang Zhiqiang (independent non-executive Director), Ms. Long Xiaoning (independent non-executive Director) and Mr. Lam Wo Sze. Mr. Wang Zhiqiang currently serves as the chairman of the audit committee. The primary responsibilities of the audit committee are to review and supervise our financial reporting process, which include, among other things:

- appointing and supervising the work of our independent auditors and pre-approving all non-audit services to be provided by our independent auditors;

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- reviewing our annual and interim financial statements, earnings releases, critical accounting policies and practices used to prepare financial statements, alternative treatments of financial information, the effectiveness of our disclosure controls and procedures and important trends and developments in financial reporting practices and requirements;
- reviewing the planning and staffing of internal audits, the organisation, responsibilities, plans, results, budget and staffing of our internal audit team and the quality and effectiveness of our internal controls;
- reviewing our risk assessment and management policies; and
- establishing procedures for the treatment of complaints received by us regarding accounting, internal accounting controls, auditing matters, potential violations of law and questionable accounting or auditing matters.

Remuneration committee

The remuneration committee of the Company consists of three Directors: Mr. Zhang Huaqiao (independent non-executive Director), Mr. Li Yuzhong (independent non-executive Director) and Mr. Lam Wo Ping. Mr. Zhang Huaqiao currently serves as the chairman of the Company's remuneration committee. The primary responsibilities of the remuneration committee are to formulate the evaluation standards and conduct evaluation of the Directors and senior management, and to determine, and review the compensation policies and schemes for the Directors and senior management, including, among other things:

- approving and overseeing the total compensation package for the Directors and senior management, evaluating the performance of and determining and approving the compensation to be paid to senior management;
- reviewing and making recommendations to the Board with respect to the Directors' compensation; and
- reviewing and making recommendations to the Board regarding our Company's policy and structure for the remuneration of all Directors and senior management.

Nomination committee

The nomination committee of the Company consists of three Directors: Mr. Lam Wo Ping, Ms. Long Xiaoning (independent non-executive Director) and Mr. Li Yuzhong (independent non-executive Director). Mr. Lam Wo Ping currently serves as the chairman of the nomination committee. The primary responsibilities of the Company's nomination committee are to formulate the nomination procedures and standards for candidates for Directors and senior management, to conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Strategy committee

The strategy committee of the Company consists of three Directors: Mr. Lam Wo Ping, Mr. Zhai Gang and Mr. Li Yuzhong (independent non-executive Director). Mr. Lam Wo Ping currently serves as the chairman of the Company's strategy committee. The primary responsibilities of the strategy committee are to study and advise on the Company's long-term development plans and significant investment strategies, including, among other things:

- reviewing and advising on the Company's long-term development strategies;
- reviewing and advising on the Company's significant capital investment and financing proposals that require approval of the Board under the Articles of Association;
- reviewing and advising on significant capital operation and assets management projects that require approval of the Board under the Articles of Association;
- reviewing and advising on other major issues affecting the Company's development;
- supervising the implementation of the aforementioned strategic development; and
- other functions and duties as authorised by the Board.

WAIVERS GRANTED BY THE STOCK EXCHANGE

Waiver from Rules 8.12 and 19A.15 of the Listing Rules

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under Rule 8.12 and Rule 19A.15 in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed "Waivers from Compliance with the Listing Rules – Management Presence."

COMPENSATION OF THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

For the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by us to our Directors and Supervisors were approximately RMB3.48 million, RMB3.52 million, RMB2.88 million and RMB1.13 million, respectively.

Our Directors' and Supervisors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

The remuneration and benefits in kind (if applicable) received by the top five highest paid individuals (including Directors and Supervisors) for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, were approximately RMB4.19 million, RMB4.24 million, RMB3.17 million and RMB1.24 million, respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining the Company. No compensation was paid by us to, or receivable by, our Directors, past Directors, our Supervisors, past Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

None of our Directors or Supervisors waived any remuneration for any of the last three years. Save as disclosed above, no other payments have been paid, or are payable, by us or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

Under the remuneration policy of our Company, the remuneration committee will consider factors such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance of our Directors, Supervisors and the senior management as the case may be, in assessing the amount of remuneration payable to our Directors, Supervisors and such employees. It is estimated that under the arrangements currently in force, the aggregate remuneration payable to the Directors and Supervisors for the year ended 31 December 2013, is estimated to be approximately RMB3.47 million and RMB0.45 million, respectively.

COMPLIANCE ADVISER

We have appointed Industrial Securities (HK) Capital Limited as our compliance adviser, pursuant to Rule 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Hong Kong Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, Industrial Securities (HK) Capital Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. Industrial Securities (HK) Capital Limited will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

COMPLIANCE

The Company will comply with the revised Corporate Governance Code and Associated Listing Rules, which have been effective since 1 January 2012.

SHARE CAPITAL

As at the date of this prospectus, the registered share capital of the Company is RMB400,000,000 divided into 400,000,000 Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of the Company immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
48,800,000	Domestic Shares ⁽¹⁾	9.15%
351,200,000	H Shares to be converted from Unlisted Foreign- invested Shares ⁽²⁾	65.85%
133,340,000	H Shares to be issued under the Global Offering	25.00%
533,340,000		100%

Assuming the Over-allotment Option is exercised in full, the share capital of the Company immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
48,800,000	Domestic Shares ⁽¹⁾	8.82%
351,200,000	H Shares to be converted from Unlisted Foreign – invested Shares ⁽²⁾	63.47%
133,340,000	H Shares to be issued under the Global Offering	24.10%
20,000,800	H Shares to be issued upon full exercise of Over-allotment Option	3.61%
553,340,800		100%

Notes:

- (1) As at the date of this prospectus, these Domestic Shares are held by Junding Investments, Yuncai Investments, Leading Fortune, Leading Investments, Bairui Leading, Tianrui Leading, Shiji Tianfu, Shiji Caifu and Tiangui Leading.
- (2) As at the date of this prospectus, these Unlisted Foreign-invested Shares are held by Fuguiniao Holdco and Wo Hing Trading. These Unlisted Foreign-invested Shares will be converted into H Shares, which will be listed on the Stock Exchange, immediately after the Global Offering. As advised by our PRC legal adviser, Zhong Lun Law Firm, according to the PRC Securities Law, any domestic enterprise that directly or indirectly issues any shares abroad or lists its shares abroad shall be subject to the approval of the securities regulatory authority under the State Council according to the relevant provisions of the State Council. These Unlisted Foreign-invested Shares are allowed to be converted into H Shares and listed on the Hong Kong Stock Exchange for trading, provided that approval granted by CSRC is obtained. As advised by our PRC legal adviser, Zhong Lun Law Firm, we have received the above-mentioned approval from the CSRC for the conversion of our Unlisted Foreign-invested Shares into H Shares, and such conversion complies with all the applicable laws and regulations of the PRC.

SHARE CAPITAL

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalisation at the time of listing of not less than HK\$50 million.

Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

Our Shares

Our Domestic Shares, Unlisted Foreign-invested Shares and H Shares are all ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares and Unlisted Foreign-invested Shares, on the other hand, may only be subscribed for and traded in Renminbi. Apart from certain qualified domestic institutional investors in the PRC, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and transferred between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors. Dividends and other payments payable by the Company to holders of Domestic Shares shall be denominated and declared in Renminbi, and payable in Renminbi within three months following the announcement of dividends distribution. Dividends and other payments payable to holders of H shares and Unlisted Foreign-invested Shares shall be denominated and declared in Renminbi and payable in Hong Kong Dollars within three months following the announcement of dividends distribution.

As at the date of this prospectus, our promoters hold all existing Domestic Shares and Unlisted Foreign-invested Shares as promoters' shares (as defined in the PRC Company Law) which constitute the entire issued share capital of our Company. Under the PRC Company Law, promoter shares may not be sold within a period of one year from 29 June 2012, on which we were organised as a joint stock limited liability company. This lock-up period expired on 28 June 2013. The PRC Company Law further provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing on any stock exchange.

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix VI to this prospectus, our Domestic Shares and our H Shares will rank pari passu with each other in all respects and, in particular, will rank equally for all

SHARE CAPITAL

dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. We have not approved any share issue plan other than the Global Offering.

Increase in share capital

As advised by our PRC legal adviser, Zhong Lun Law Firm, pursuant to the Articles of Association of the Company and relevant PRC laws and regulations, the Company, upon Listing of its H Shares and with its Unlisted Foreign-invested Shares having been fully converted into H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Domestic Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting and by holders of Shares of that class of shareholders whose interest is affected at a separate meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the shareholders' general meeting must be exercised in favor of the resolution. Resolutions of a class of Shareholders shall be passed by votes representing more than two thirds of Shareholders with voting rights attending the class Shareholders' meeting. For details, please refer to the paragraph headed "3. Variations of Rights of Existing Shares or Classes of Shares" under "Appendix VI – Summary of Articles of Association" of this prospectus.

Securities Law of the PRC requires the following conditions for a company to offer new shares to the public: (i) a complete and well-operated organisation; (ii) capability of making profits continuously and a healthy financial status; (iii) no false records or significant irregularities in its financial statements over the last three years; (iv) fulfill any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council. The public offer requires the approval of CSRC.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Conversion of Unlisted Shares

Upon the completion of the Global Offering, we will have two classes of ordinary shares, H Shares and Domestic Shares. All of our Domestic Shares are unlisted Shares which are not listed or traded on any stock exchange, therefore, the scope of our unlisted Shares is the same as the scope of our Domestic Shares. The term "unlisted Shares" is used to describe whether certain Shares are listed on a stock exchange and is not unique to PRC laws. Given the above, our PRC legal adviser, Zhong Lun Law Firm, has advised us that the use of the term "unlisted Shares" in the Articles of Association does not contravene and are not inconsistent with any PRC laws and regulations (including the Special Regulations and Mandatory Provisions).

In accordance with the PRC Company Law and laws and regulations of the PRC related to foreign-invested companies and also in accordance with the Articles of Association, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange provided that prior to the conversion and trading of such converted shares any requisite internal approval by

SHARE CAPITAL

Shareholders in a general meeting (but without the necessity of Shareholders' approval by class) shall have been duly obtained and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. If any of our unlisted Shares are to be converted into and traded as H Shares on the Stock Exchange, such conversion will need to obtain the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong. No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform shareholders and the public of any proposed conversion.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange complying with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The PRC Company Law provides that in relation to the Hong Kong Public Offering of a company, the shares issued by a company prior to the Hong Kong Public Offering of shares shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 working days upon listing.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

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

Shareholder	Number of H Shares Held after the Global Offering	Nature of interest	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽¹⁾
Fuguiniao Holdco ⁽²⁾	331,200,000	Beneficial owner	62.10%
Wo Hing Trading ⁽³⁾	20,000,000	Beneficial owner	3.75%
Mr. Lam Wo Ping ⁽²⁾⁽³⁾	351,200,000	Interest in a controlled corporation	65.85%
Mr. Lam Wo Sze ⁽²⁾	331,200,000	Interest in a controlled corporation	62.10%
Mr. Lam Kwok Keung ⁽²⁾	331,200,000	Interest in a controlled corporation	62.10%
Mr. Lam Wing Ho ⁽²⁾	331,200,000	Interest in a controlled corporation	62.10%

Notes:

- (1) The calculation is based on the total number of 533,340,000 Shares in issue immediately after completion of the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option).
- (2) Fuguiniao Holdco is owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho is deemed to be interested in the Shares held by Fuguiniao Holdco for the purpose of the SFO.
- (3) Wo Hing Trading is wholly-owned and controlled by Mr. Lam Wo Ping and Mr. Lam Wo Ping is therefore deemed to be interested in all the Shares in which Wo Hing Trading is interested.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be 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 our Company.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We and the Joint Bookrunners have entered into cornerstone investment agreements (the “**Cornerstone Investment Agreements**”, each a “**Cornerstone Investment Agreement**”) with the investors as set out in the paragraph headed “Cornerstone Investors” below (the “**Cornerstone Investors**,” each a “**Cornerstone Investor**”), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 400 H Shares) that may be purchased for an aggregate amount of up to US\$45.0 million (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$8.61 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 40,120,000, representing approximately (i) 26.2% of the Offer Shares and 7.3% of the Shares in issue upon the completion of the Global Offering, assuming that the Over-allotment Option is fully exercised; or (ii) 30.1% of the Offer Shares and 7.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Each of the Cornerstone Investors is an Independent Third Party, is independent with each other, is not our connected person, and is not an existing shareholder of our Company. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around 19 December 2013.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective Cornerstone Investment Agreements). Upon the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become our substantial shareholder.

CORNERSTONE INVESTORS

We and the Joint Bookrunners have entered into the Cornerstone Investment Agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

Haidian-Creation International Limited

Haidian-Creation International Limited (“**Haidian-Creation**”) has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 400 H Shares) which may be purchased for the Hong Kong dollars equivalent of US\$15.0 million (calculated at the exchange rate published by HSBC after the close of business as at the Price Determination Date) at the Offer Price. Assuming an Offer Price of HK\$8.61, being the mid-point of the Offer Price range set out in this prospectus, the total number of H shares that Haidian-Creation would subscribe for would be 13,506,000, representing approximately (i) 8.8% of the Offer Shares and 2.4% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is fully exercised, or, (ii) 10.1% of the Offer Shares and 2.5% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

CORNERSTONE INVESTORS

Haidian-Creation is a company incorporated in the British Virgin Islands on 20 August 1998 and mainly engaged in listed equity investments. It is a wholly-owned subsidiary of China Haidian Holdings Limited (“**China Haidian**”), a company incorporated in Cayman Islands and listed on the Main Board of the Stock Exchange (stock code: 256). The principal activities of China Haidian include manufacture and distribution of watches and timepieces, property investments and distribution of yachts.

Zhejiang Haining Jiahui Investment Partnership (Limited Partnership)

Zhejiang Haining Jiahui Investment Partnership (Limited Partnership)* (浙江海寧嘉慧投資合夥企業(有限合夥)) (“**Jiahui Investment**”) has agreed to subscribe for such number of H Shares that may be purchased with the Hong Kong dollars equivalent of US\$30.0 million (calculated at the exchange rate published by HSBC after the close of business as at the Price Determination Date) divided by the Offer Price but subject to a maximum of such number of H Shares which shall represent 4.99% of the total issued share capital of our Company immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming the Offer Price is fixed between HK\$7.17 (being the lower end of the Offer Price range set out in this prospectus) and HK\$8.73, the total number of H shares that Jiahui Investment would subscribe for would be 26,614,000, representing (i) approximately 17.36% and 4.81% of the Offer Shares and the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is fully exercised, or, (ii) approximately 19.96% and 4.99% of the Offer Shares and the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Under such circumstances, the investment amount would be approximately between US\$24.6 million and US\$30.0 million.

Assuming the Offer Price is fixed at HK\$8.74 or above the total number of H shares that Jiahui Investment would subscribe for would be such number of H Shares that may be purchased with the Hong Kong dollars equivalent of US\$30.0 million (calculated at the exchange rate published by HSBC after the close of business as at the Price Determination Date) divided by the Offer Price, rounded down to the nearest whole board lot of 400 H Shares.

Assuming the Offer Price of HK\$10.04, being the upper end of the Offer Price range set out in this prospectus, the total number of H shares that Jiahui Investment would subscribe for would be 23,164,800, representing (i) approximately 15.11% and 4.19% of the Offer Shares and the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is fully exercised, or, (ii) approximately 17.37% and 4.34% of the Offer Shares and the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised, rounded down to the nearest whole board lot of 400 H Shares.

Jiahui Investment was established in November 2013 in the PRC with RMB1.1 billion of capital. Jiahui Investment is a professional investment institution primarily engaged in equity investment, and also engaged in fixed income investment. The executive partner of Jiahui Investment is Zhejiang Haode Jiahui Investment Management Co., Ltd.* (浙江昊德嘉慧投資管理有限公司) (“**Haode Jiahui**”). Haode Jiahui is primarily engaged in investment by way of venture capital, private equity and merger and acquisition, as well as investing in high yield fixed income investment products.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (1) the underwriting agreement for the Hong Kong Public Offering and the underwriting agreement for the International Offering being entered into by, inter alia, our Company and the Joint Bookrunners and having become unconditional and not having been terminated by no later than the time and date as specified in those underwriting agreements in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties;
- (2) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares and that such approval or permission having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (3) the respective representations, warranties, undertakings and acknowledgements of the Cornerstone Investor and our Company in the relevant Cornerstone Investment Agreement are and will be accurate and true in all material respects and not misleading as at the respective dates of these agreements and the Listing Date respectively and there being no material breach of the relevant Cornerstone Investment Agreement on the part of the Cornerstone Investor; and
- (4) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or in the relevant Cornerstone Investment Agreement and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and the Joint Bookrunners, it will not, and will procure that the subsidiaries controlled by the Cornerstone Investors, if any, will not, at any time during a period of six months starting from and inclusive of the Listing Date, dispose of (as defined in the relevant Cornerstone Investment Agreement) any of the H Shares subscribed for by it pursuant to the relevant Cornerstone Investment Agreement.

In the event of a disposal of any relevant Offer Shares at any time after the Lock-up Period, the Cornerstone Investor (i) will notify our Company and the Joint Bookrunners in writing prior to the disposal and will use its best endeavours to ensure that any such disposal will not create a disorderly or false market in the H Shares and will comply with all applicable laws; and (ii) will not enter into any such transaction with a person who engages directly or indirectly in a business that competes or potentially competes with the business of our Company or with any other entity that is a holding company, subsidiary or associate (as defined in the Listing Rules) of such person without the prior written consent of each of our Company and the Joint Bookrunners.

CORNERSTONE INVESTORS

Each Cornerstone Investor may transfer the H Shares so subscribed to a wholly-owned subsidiary of such Cornerstone Investor, provided that (i) such wholly-owned subsidiary agrees to be subject to the restrictions on disposals imposed on such Cornerstone Investor; (ii) such subsidiary is not a U.S. Person (as defined in Rule 902(k) of Regulation S under the Securities Act), and is and will be outside the United States and would be acquiring these Shares in an offshore transaction in reliance on Regulation S under the Securities Act; and (iii) if any of the Cornerstone Investor's wholly-owned subsidiaries that holds any Offer Shares as a result of such transfer is about to or will cease to be a wholly-owned subsidiary of the Cornerstone Investor, such entity must, before ceasing to be a wholly-owned subsidiary of the Cornerstone Investor, ensure that its entire interest in the relevant Offer Shares shall be transferred to the Cornerstone Investor or to another wholly-owned subsidiary of the Cornerstone Investor.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group's financial condition and results of operations together with our consolidated financial statements as at and for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus. Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a major, established manufacturer and seller of footwear and a well-known seller of business casual menswear in China. According to the Frost & Sullivan Report, we were the third largest manufacturer of branded business casual footwear products and the sixth largest manufacturer of branded men's and women's footwear products in the PRC in terms of retail revenue for the year ended 31 December 2012, with a market share of 4.1% and 2.3%, respectively. According to Frost & Sullivan, the overall PRC footwear market consists of men's and women's footwear, sports shoes, and children's shoes, of which, our main business sectors, men's and women's footwear, can be further categorised into formal footwear, business casual footwear and sports casual footwear. Approximately 14.5%, 8.9% and 7.5% of the retail revenue of the overall PRC footwear market was attributable to the branded business casual footwear segment, formal footwear segment and sports casual footwear segment for the year ended 31 December 2012, according to Frost & Sullivan.

We primarily manufacture and sell our products under our Fuguiniao brand. The strength of our brand is a key factor in our business and we have received numerous awards recognising our products and the brands under which they are sold. From 1998 to 2012, our leather footwear products were named the "China Leather Shoes King" (中國真皮鞋王) or "China Leading Leather Shoes King" (中國真皮領先鞋王) four times by the China Leather Industry Association. Our Fuguiniao brand was recognised as a "China Well-known Trademark" (中國馳名商標) as early as January 1999. In 2002 and 2005, our Fuguiniao branded footwear was recognised as a "China Top Brand Product" (中國名牌產品) by AQSIQ. In 2006, our Fuguiniao brand was named as one of "The Most Competitive Brands" (最具市場競爭力品牌) by MOFCOM.

We offer a diversified product portfolio, which we believe positions us well in the PRC footwear and apparel markets. The history of our footwear business under the Fuguiniao brand can be traced back to 1991 when the brand was launched by our Founders. We began to produce men's leather footwear in 1995 and expanded our product line into women's footwear in 1997. Currently, we offer a wide range of men's and women's footwear products under our Fuguiniao, FGN and AnyWalk brands. Leveraging the well-established brand recognition of our Fuguiniao branded footwear products, we have successfully diversified into other related product lines under our Fuguiniao brand, including a wide range of business casual menswear products, such as suits, pants, jackets and shirts, and leather accessories, such as belts, bags, luggage and wallets.

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Our products are primarily sold through an extensive sales and distribution network across the PRC. As at 30 June 2013, we had a sales and distribution network of 3,195 retail outlets across 31 provinces, autonomous regions and municipalities in China, 2,961 of which were operated by our distributors and third-party retailers with the remaining retail outlets being operated directly by us. These retail outlets include department store outlets and stand-alone stores. We sell a majority of our products on a wholesale basis to authorised distributors who subsequently sell our products to end customers through retail outlets they operate or which are operated by third-party retailers with whom they contract. All of our distributors and the third-party retailers were Independent Third Parties as at the Latest Practicable Date. As at 30 June 2013 we had 60 distributors across China. We have working relationships of ten years or more with 22 of these distributors. Sales to our distributors accounted for approximately 57.3%, 73.2%, 72.1% and 76.9% and 71.0% of our turnover for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, respectively. In addition to selling our branded products to authorised distributors, we also sell our products directly to customers through direct sales channels, including our proprietary outlets, large-scale institutional purchases and online sales. In particular, sales through such proprietary outlets accounted for approximately 6.2%, 1.4%, 4.6% and 1.0% and 10.6% of our turnover for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, respectively.

While we sell a majority of our products under our own brands to domestic distributors, we also manufacture footwear products on an OEM or ODM basis, primarily for overseas footwear brands, such as “BLONDO”, “COVANI” and “CONNI”. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, the turnover generated from our OEM/ODM business accounted for 36.1%, 24.2%, 19.9% and 20.2% and 15.2%, respectively, of our total turnover. For the six months ended 30 June 2013, we manufactured approximately 63.1% of our footwear products in terms of turnover at our own production facilities in Shishi City, Fujian Province and outsourced the rest of our footwear and all of our menswear and leather accessories production to third-party subcontractors. We believe this combination of in-house and outsourced production provides us with significant flexibility to allow us to meet market demand on a timely and cost-effective basis. Our quality control team monitors each stage of our production process to ensure high quality of our products, which is one of our top priorities. We also work closely with our third-party subcontractors to ensure that all of our outsourced products meet our quality standards.

We have grown rapidly during the Track Record Period. Our turnover grew from RMB1,070.1 million for the year ended 31 December 2010 to RMB1,651.6 million for the year ended 31 December 2011, and to RMB1,932.1 million for the year ended 31 December 2012, representing a CAGR of approximately 34.4% during the period. It also grew from RMB903.1 million for the six months ended 30 June 2012 to RMB1,084.4 million for the six months ended 30 June 2013. Our profit increased from RMB118.7 million for the year ended 31 December 2010 to RMB253.9 million for the year ended 31 December 2011, and to RMB323.6 million for the year ended 31 December 2012, representing a CAGR of 65.1% during the period. It increased from RMB145.1 million for the six months ended 30 June 2012 to RMB209.0 million for the six months ended 30 June 2013.

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BASIS OF PRESENTATION

Our Company was established by Fook Lam Leather in Shishi City, Fujian Province, on 20 November 1995. Fook Lam Leather was a company held by Mr. Wang Jianshe on behalf of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, shareholders of Fuguiniao Holdco. On 8 October 2004, Fook Lam Leather entered into an agreement with Fuguiniao Holdco, under which Fook Lam Leather transferred its entire shareholding of our Company to Fuguiniao Holdco. Upon the transfer, Fuguiniao Holdco became the immediate and ultimate holding company of our Group. During the Track Record Period, our Company entered into certain agreements with Fuguiniao Holdco under which our Company merged with one company and acquired certain other companies which were under the control of Fuguiniao Holdco. All of these transactions were considered as business combinations under common control for the purpose of preparation of the Accountants' Report. In addition, during the Track Record Period, our Company disposed a subsidiary to Shishi Fuguiniao.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of our Group as set forth in section A of the "Appendix I – Accountants' Report" to this prospectus include the results of operations of the companies comprising our Group for the Track Record Period (or where the companies were established or acquired at a date later than 1 January 2010, for the period from the date of establishment or acquisition to 30 June 2013), as if our Group structure has been in existence throughout the Track Record Period. The consolidated statements of financial position as at 31 December 2010, 2011 and 2012 and 30 June 2013 as set out in "Appendix I – Accountants' Report" to this prospectus have been prepared to present the state of affairs of the companies comprising our Group as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Brand awareness

We believe brand awareness plays a critical role in influencing customers' purchasing decisions. Market acceptance of our brands may affect the selling prices and market demand of our products, the profit margin we are able to achieve, and our ability to expand our business. Our Fuguiniao brand was recognised as the "China Well-Known Trademark" by the Trade Mark Bureau of SAIC in 1999. From 1998 to 2012, our leather footwear products were awarded "China Leather Shoes King" (中國真皮鞋王) or "China Leading Leather Shoes King" (中國真皮領先鞋王) four times by China Leather Industry Association. Our Fuguiniao brand was recognised as a "China Well-known Trademark" (中國馳名商標) as early as January 1999. In 2002 and 2005, our Fuguiniao branded footwear was awarded "China Top Brand Product" (中國名牌產品) by AQSIQ. In 2006, our Fuguiniao brand was named as one of "The Most Competitive Brands" (最具市場競爭力品牌) by MOFCOM. To promote our brand name and image, our market strategy primarily consists of continuing (i) to engage Mr. Lu Yi (陸毅), a famous actor in China, as our menswear brand ambassador to participate in our promotional activities and (ii) to enhance our brand image in all retail outlets through uniform management of the store decoration and storage rack display

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to maintain consistent brand image. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, we incurred approximately RMB43.2 million, RMB75.0 million, RMB80.2 million and RMB35.0 million and RMB28.6 million on our advertising and promotion activities, respectively, accounting for 4.0%, 4.5%, 4.2% and 3.9% and 2.6% of our turnover, respectively. We work closely with our distributors to ensure that our brand image is well-maintained at all of the retail outlets for our branded products. We believe our ability to successfully grow our business depends on our ability to continue to enhance the awareness of our brand and to maintain a consistent brand culture to appeal to our customers. If we are unable to successfully maintain and promote our brand, market perception and consumer acceptance of our brand may be eroded, and our business and results of operations may be materially and adversely affected.

Performance of our distributors and expansion of our sales and distribution network

Our products are sold through an extensive sales and distribution network across the PRC. We sell a majority of our products on a wholesale basis to distributors who subsequently sell our products to end customers through retail outlets operated by themselves or by third-party retailers. As at 30 June 2013, we had a total of 60 distributors in the PRC. We have working relationships of ten years or more with 22 of these distributors. These distributors together with third-party retailers operate a wide distribution and retail network consisting of 2,961 retail outlets across 31 provinces, autonomous regions and municipalities in China as at 30 June 2013. Sales to our distributors accounted for approximately 57.3%, 73.2%, 72.1% and 76.9% and 71.0% of our turnover for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, respectively. For further details of our retail outlets breakdown by region, please see “Business – Sales and Distribution”. Growth in retail sales of our products and our turnover is directly affected by the performance and number of retail outlets selling our products operated by our distributors and third-party retailers. We plan to expand our current retail network by adding approximately 1,600 new retail outlets by the end of 2015. As part of such plan, we will work closely with our distributors and third-party retailers to help them open 1,200 to 1,300 new retail outlets to further expand our geographical coverage and increase our market penetration in the PRC footwear and menswear markets.

In addition to expanding our distributor network, we also aim to enhance our control over our distribution channel by increasing the number of self-owned stores. Sales through our proprietary outlets accounted for approximately 6.2%, 1.4%, 4.6% and 1.0% and 10.6% of our turnover for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, respectively. We operated 234 proprietary outlets as at 30 June 2013 and plan to open an additional 300 to 400 proprietary outlets by the end of 2015. As part of this expansion, we plan to selectively establish and operate 20 flagship stores and 65 footwear and menswear image stores at prime commercial locations in certain Tier 1, Tier 2 and Tier 3 cities in the PRC for brand building purposes, and three integrated stores each with a gross area of 600 to 1,000 square meters in Fuzhou, Quanzhou and Zhangzhou, respectively, in which we will sell all types of products we offer under each of our brands pursuant to our one-stop shopping strategy in order to take advantage of cross-selling opportunities. As at the Latest Practicable Date, we had opened one integrated store in Quanzhou.

Our sales network is crucial to our growth and success. Our results of operations will continue to depend on our ability to effectively manage our distributors to optimize the performance of our retail outlets and to further expand our distribution network.

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Product mix and pricing

Our results of operations are impacted by our product mix. We have established a diversified product portfolio consisting of men's and women's footwear, business casual menswear and leather accessories sold under our different three brands: Fuguiniao, FGN and AnyWalk. Products under each brand target distinct customer groups in China based on demographics such as age, gender, job status and wealth. We believe a diversified product and brand portfolio allows us to target a wider customer base, enhance our market competitiveness and reduce the risk of reliance on any one particular market or customer group. In 2010, virtually all of the products we sold were footwear products. In 2011, we began to sell our menswear products under our Fuguiniao brand. For the year ended 31 December 2012, the turnover we generated from the sales of menswear products accounted for 22.2% of our total turnover. The sales of menswear products since 2011 has increased our total turnover for 2011 and 2012. Due to higher gross margin, the sales of menswear products have improved our overall gross margin for the year ended 31 December 2012 compared to 2010 and 2011 and we intend to further expand our existing product lines under each brand by offering more styles within our existing product categories and to introduce additional footwear and menswear products as well as to expand leather offerings that are complementary to our current footwear and menswear offerings. We have adjusted and will continue to adjust our product mix in an effort to increase our profitability.

Our turnover and profitability are also affected by the pricing of our products, which is determined by factors such as prevailing market conditions, cost of design, cost of raw materials and production and prices set by competitors for similar items. Our ability to continue to price our products at levels that reflect our brand equity is crucial to our financial performance. We sell our branded products to all of our distributors at wholesale prices. Based on the factors described above, we set up suggested price ranges for our footwear products to be sold to retail consumers and suggested retail prices for our menswear products and leather accessories by displaying the price on the tags we attach to such products. In limited circumstances, our distributors may sell our products at a price outside the suggested price ranges with our written consent. These suggested price ranges and suggested retail prices are subject to adjustment by us from time to time. Distributors are required to, and additionally must ensure that third-party retailers, sell our products at a price within the suggested price ranges for our footwear products or at suggested retail prices for our menswear products and leather accessories, as applicable. In the first half of 2013, we raised suggested price ranges for our footwear and leather accessory products compared to the same period in 2012. In conjunction with such increase, the average sales prices of our footwear products that we sold to our customers also increased. For example, the average sales price of our footwear products was RMB199.19 for the first half of 2013, compared to RMB179.07 for the same period in 2012. The average sales price of our products has a direct impact on our turnover and profitability. As a result, the gross margin of our footwear products increased from 26.4% for the year ended 31 December 2010 to 32.2% for the year ended 31 December 2012 and further increased to 38.5% for the six months ended 30 June 2013.

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Cost of Raw Materials and Outsourced Production

The main raw material used in the manufacturing of our footwear and leather accessories is natural leather. Other raw materials used include fabrics, heels, glue, outsoles, insoles, nails, ornaments and zippers. The principal raw materials used in the production of our menswear products are fabrics. We sourced approximately 85.7% of our raw materials from within China and the remainder, mainly those required by our OEM/ODM customers, from overseas, for the year ended 31 December 2012. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, the cost of our raw materials accounted for approximately 57.1%, 47.6%, 40.4% and 38.4% and 39.6% of our total cost of sales, respectively.

We primarily seek to fulfill footwear orders through production at our own production facilities though we also outsource a significant portion of our footwear products to subcontractors. In addition, in order to maintain operational flexibility we outsource the production of all of our menswear and leather accessories to subcontractors as we do not have the necessary facilities to manufacture these products. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, the cost to outsource our production to subcontractors accounted for approximately 22.6%, 35.6%, 45.1% and 46.1% and 47.9% of our total cost of sales, respectively.

In recent years, the prices of raw materials and outsourced productions have increased due to various factors, including availability of raw materials and cost of production. However, such rise in costs has generally been slower than increased prices and positive changes in our product mix. As such, our gross margin grew from 26.4% in 2010 to 33.8% in 2012 and further to 38.6% for the six months ended 30 June 2013. Our performance in the future will continue to depend on our ability to pass such increases to our end consumers and our ability to find and manage qualified subcontractors who meet our quality standards at commercially acceptable prices. Please see “Risk Factors – Risks Relating to Our Business – We depend on subcontractors to manufacture a portion of our products”.

Levels of Per Capita Disposable Income and Consumer Spending in the PRC

We generate a significant portion of our turnover in the PRC. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, turnover generated in the PRC constituted approximately 66.7%, 78.3%, 81.7%, 82.1% and 84.9%, respectively, of our total turnover, respectively. China has experienced substantial economic growth in recent years. According to National Bureau of Statistics of China, China's nominal GDP grew from RMB26,581 billion in 2007 to RMB51,932 billion in 2012, representing a CAGR of approximately 14.3% during the period. Economic growth in the PRC contributes to the increases in disposable income and consumer spending among its population, which, in turn, drive demand for consumer products. According to Frost & Sullivan, per capita disposable income for urban households in China, which make up the majority of our end consumers, increased from RMB13,786 in 2007 to RMB24,565 in 2012, representing a CAGR of approximately 12.2%. In addition, according to Frost and Sullivan, economic development and increase in disposable income tend to have a positive impact on the demand for branded consumer products, including footwear and menswear products. We believe that the growth of the PRC economy will help to expand our end customer base and contribute to the growth in our turnover and profits. However, any slow down or decline in the PRC economy may adversely affect consumer demand in general and the demand for our products and therefore, negatively affect our business and results of operations.

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Seasonality and Weather

We experience seasonal fluctuations in our turnover generated from China as consumer spending patterns vary on a seasonal basis. We generally record higher sales during major holidays and festivals, as compared with our sales in other periods in a financial year. In addition, we typically generate more turnover from our winter and fall collections than spring and summer collections because the shoes and apparel we sell in fall and winter generally have higher prices than those we sell in spring and summer. As a result of such fluctuations, comparisons of sales and results of operations between different periods within a single financial year, or between different periods in different financial years cannot be relied on as indicators of our performance.

Weather patterns may also change consumer preferences. For example, consumers tend to purchase lighter and thinner footwear and apparel products when the weather is relatively warm, and heavier and thicker footwear and apparel products when the weather is relatively cold. As such, if the weather is significantly different from what we have expected, we may not have sufficient and suitable footwear and menswear products to meet consumers' demands. See also "Risk Factors – Risks Relating to Our Business – Our sales volume is sensitive to changes in consumer spending patterns, seasonality and change of weather patterns".

Competition

The casual and fashion footwear manufacturing industry and business casual menswear manufacturing industry are highly competitive and are characterized by frequent introduction of new designs, short product life cycles, high price sensitivity, and customers' focus on quality. We have limited ability to set price levels of our products in our target markets, and we therefore may take actions such as adjusting prices of our products and increasing expenditure on advertising and promotional activities in order to be competitive in the market, which may in turn materially and adversely affect our profit margins and our results of operations. See also "Risk Factors – Risks Relating to Our Industry – The PRC footwear and menswear manufacturing industry is highly competitive".

We also compete with online retailers of footwear and apparel products. As e-commerce becomes more popular, consumers and businesses will increasingly engage online services in their selection and purchase of goods and services. Although online retailers remain a small portion of retail distribution in the footwear and apparel industry in the PRC and so far their overall market penetration in China is limited, a number of large-scale online footwear and apparel retailers emerged and an increasing number of leading retailers are offering online ordering and home delivery services. See also "Risk Factors – Risks Relating to Our Business – We may not be able to fully and effectively compete against online footwear and apparel retailers in China".

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

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

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Revenue Recognition

Revenue is measured at 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:

Sale of Goods

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

Government Grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching 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 year in which the expenses are incurred. Grants that compensate our Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful lives of the asset by way of reduced depreciation expense.

Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other revenue when the amount is received.

Inventories

Inventories are carried at the lower of cost and net realizable 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 realizable 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 turnover is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period when 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.

Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts, 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.

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Trade and other receivables are derecognised if substantially all the risks and rewards of ownership of the trade and other receivables are transferred. If substantially all the risks and rewards of ownership of trade and other receivables are retained, the trade and other receivables are continued to recognise in the consolidated statement of financial position. For discounted commercial acceptance bills to banks with recourse, the bills receivable are not derecognised until the customer settled the respective bills with the banks.

Impairment of Assets

Impairment of trade and other receivables

Trade and other receivables that are stated at amortized 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 our Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other receivables carried at amortized 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 these financial assets 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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bills receivables 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 our Group is satisfied that recovery is remote, the amount considered irrecoverable is

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written off against trade and bills receivables 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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

No depreciation is provided in respect of construction in progress. 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 their estimated useful lives as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 20 years after the date of completion
- Plant and machinery 10 years
- Leasehold improvements 3 years
- Motor vehicles 8 years
- Furniture, fixtures and equipment 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

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.

Income Tax

Income tax for the year 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 that 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, using tax rates enacted or substantively 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.

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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 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 each end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit 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 our 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, our Group intend either to settle on a net basis, or to realize 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: (i) the same taxable entity; or (ii) 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 realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

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RESULTS OF OPERATIONS

The following table sets forth selected items of our consolidated statements of comprehensive income for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	1,070,090	1,651,560	1,932,129	903,119	1,084,406
Cost of sales	(787,145)	(1,139,505)	(1,279,833)	(619,440)	(666,208)
Gross profit	282,945	512,055	652,296	283,679	418,198
Other revenue	27,300	29,274	34,601	14,903	7,160
Other net (loss)/income .	(6,783)	(5,936)	1,883	634	1,390
Selling and distribution expenses	(62,353)	(95,691)	(127,451)	(45,655)	(73,770)
Administrative and other operating expenses . .	(39,283)	(63,450)	(87,273)	(33,317)	(60,815)
Profit from operations .	201,826	376,252	474,056	220,244	292,163
Finance costs	(40,850)	(50,269)	(42,117)	(26,880)	(10,633)
Profit before taxation .	160,976	325,983	431,939	193,364	281,530
Income tax expense. . .	(42,235)	(72,129)	(108,352)	(48,291)	(72,530)
Profit and total comprehensive income for the year/period	118,741	253,854	323,587	145,073	209,000

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PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Turnover

We are principally engaged in the manufacturing and sales of men's and women's footwear and the sales of menswear and leather accessories. Turnover represents the sales value of goods sold less returns, discounts and value-added taxes. Based on our product return policies, our distributors are in general not allowed to return the goods to us whereas our OEM/ODM customers may return defective products where we are responsible for such defects. The table below sets forth our turnover by product type for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Product Type										
Footwear	1,068,257	99.8	1,373,855	83.2	1,500,469	77.7	691,385	76.6	875,021	80.7
Men's footwear . .	334,909	31.3	465,704	28.2	509,201	26.4	256,854	28.4	301,794	27.8
Women's footwear	733,348	68.5	908,151	55.0	991,268	51.3	434,531	48.2	573,227	52.9
Menswear	–	–	269,415	16.3	428,195	22.2	208,776	23.1	206,859	19.1
Leather accessories	1,833	0.2	8,290	0.5	3,465	0.1	2,958	0.3	2,526	0.2
Total	1,070,090	100.0	1,651,560	100.0	1,932,129	100.0	903,119	100.0	1,084,406	100.0

While the majority of our turnover is derived from our business in China, we also sell our products on an OEM/ODM basis to overseas customers. The following table sets forth the breakdown of our turnover by geographical regions for the periods indicated, based on the location of the parties with whom we entered into sales agreements:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Location										
China	713,293	66.7	1,292,989	78.3	1,578,493	81.7	740,972	82.1	920,611	84.9
Russia	187,093	17.5	189,263	11.4	153,369	7.9	77,819	8.6	53,215	4.9
Italy	16,626	1.6	26,028	1.6	62,683	3.2	12,915	1.4	57,192	5.3
Austria	74,356	6.9	87,670	5.3	60,297	3.1	34,318	3.8	29,063	2.7
Canada	38,874	3.6	37,808	2.3	48,986	2.6	10,781	1.2	14,177	1.3
Other	39,848	3.7	17,802	1.1	28,301	1.5	26,314	2.9	10,148	0.9
Total	1,070,090	100.0	1,651,560	100.0	1,932,129	100.0	903,119	100.0	1,084,406	100.0

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In addition, we sell our products under three main brands, Fuguiniao, FGN and AnyWalk. During the Track Record Period, a majority of our turnover was derived from the sales of our products under the Fuguiniao brand, which was launched in 1991. However, we also sold limited amounts of products under our AnyWalk brand, which targets fashion-conscious consumers aged from 16 to 35, and beginning in 2012, we launched our FGN brand of products targeting the urban population aged from 25 to 40 with higher pricing. The table below sets forth a breakdown of our turnover by brands and our OEM/ODM sales for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Brands										
Fuguiniao	681,458	63.7	1,230,200	74.5	1,394,785	72.2	694,876	76.9	830,182	76.5
FGN	—	—	—	—	105,515	5.5	3,401	0.4	72,143	6.7
AnyWalk.	2,062	0.2	21,103	1.3	46,797	2.4	22,630	2.5	17,346	1.6
OEM/ODM	386,570	36.1	400,257	24.2	385,032	19.9	182,212	20.2	164,735	15.2
Total	1,070,090	100.0	1,651,560	100.0	1,932,129	100.0	903,119	100.0	1,084,406	100.0

We sell a majority of our branded products to our distributors who subsequently sell our products to end customers through retail outlets they or third-party retailers operate. We also sell our products directly to end customers through proprietary outlets we operate ourselves. In 2002, we also began to sell products via large-scale institutional purchases by certain large enterprises and governmental and other entities primarily to provide customized footwear and menswear products pursuant to their design specifications and requirements. Since 2011, a small percentage of our branded products have also been sold via third-party online shopping platforms. The following table sets forth the breakdown of our turnover from the sales of our branded products and OEM/ODM products by sales channel during the periods indicated:

Channel	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Distributors	613,364	57.3	1,208,986	73.2	1,392,784	72.1	694,584	76.9	770,115	71.0
Proprietary outlets.	66,635	6.2	22,166	1.4	88,020	4.6	8,901	1.0	115,369	10.6
Large-scale institutional purchases	3,521	0.4	12,203	0.7	28,269	1.4	4,855	0.5	9,826	0.9
Online sales	—	—	7,947	0.5	38,024	2.0	12,568	1.4	24,361	2.3
OEM/ODM customers	386,570	36.1	400,258	24.2	385,032	19.9	182,211	20.2	164,735	15.2
Total	1,070,090	100.0	1,651,560	100.0	1,932,129	100.0	903,119	100.0	1,084,406	100.0

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The following table sets forth the number of units sold and average sales for each of our product type for the periods indicated:

	Year ended 31 December									Six months ended 30 June					
	2010			2011			2012			2012			2013		
	Turnover	Units Sold	Avg. Sales Price	Turnover	Units Sold	Avg. Sales Price	Turnover	Units Sold	Avg. Sales Price	Turnover	Units Sold	Avg. Sales Price	Turnover	Units Sold	Avg. Sales Price
	RMB'000	'000	RMB	RMB'000	'000	RMB	RMB'000	'000	RMB	RMB'000	'000	RMB	RMB'000	'000	RMB
Product Type															
Footwear . . .	1,068,257	6,249	170.95	1,373,855	7,646	179.68	1,500,469	7,760	193.36	691,385	3,861	179.07	875,021	4,393	199.19
Menswear . . .	-	-	-	269,415	1,924	140.03	428,195	2,842	150.67	208,776	1,428	146.20	206,859	1,524	135.73
Leather accessories . .	1,833	7	261.86	8,290	27	307.04	3,465	92	37.66	2,958	82	36.07	2,526	26	97.15
Total	1,070,090			1,651,560			1,932,129			903,119			1,084,406		

Cost of sales

Cost of sales primarily consists of cost of raw materials, direct labor, sub-contracting expenses and overhead for our own production. The following tables set forth a breakdown of our cost of sales for in-house production and our total cost of sales for the Track Record Period:

	Year ended 31 December						Six months ended 30 June					
	2010		2011		2012		2012		2013			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Raw materials	449,356	73.8	542,693	73.9	517,270	73.7	238,082	71.2	263,490	75.9		
Direct labor	90,975	14.9	109,229	14.9	107,587	15.3	54,886	16.4	52,023	15.0		
Production overhead	68,655	11.3	82,026	11.2	77,457	11.0	41,194	12.4	31,788	9.1		

Cost of sales for in-house production

production	608,986	100.0	733,948	100.0	702,314	100.0	334,162	100.0	347,301	100.0		
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	Year ended 31 December						Six months ended 30 June					
	2010		2011		2012		2012		2013			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Cost of sales for in-house production .	608,986	77.4	733,948	64.4	702,314	54.9	334,162	53.9	347,301	52.1		
Sub-contracting charges	178,159	22.6	405,557	35.6	577,519	45.1	285,278	46.1	318,907	47.9		
Total cost of sales . . .	787,145	100.0	1,139,505	100.0	1,279,833	100.0	619,440	100.0	666,208	100.0		

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Our raw materials primarily consist of leather, outsoles, insoles, fabrics, heels, glue, nails, ornaments and zippers used in our production. Cost of raw materials represented approximately 73.8%, 73.9%, 73.7% and 71.2% and 75.9%, respectively, of our cost of sales for in-house production for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013. Factors affecting the cost of raw materials include, among others, price fluctuation of each raw material, our purchase amount and terms of payment, our design and manufacturing technologies which may improve our utilization of raw materials, our product portfolio consisting of low-end, middle-end, high-end and luxury products which need different qualities of raw materials, and changing fashion trends in the industry.

The following table sets forth a breakdown of our cost of sales for key raw materials and average unit cost for each key raw material for the Track Record Period:

	Year ended 31 December									Six months ended 30 June					
	2010			2011			2012			2012			2013		
			Average Unit cost			Average Unit cost			Average Unit cost			Average Unit cost			Average Unit cost
	Cost			Cost			Cost			Cost			Cost		
	RMB'000	%	RMB	RMB'000	%	RMB	RMB'000	%	RMB	RMB'000	%	RMB	RMB'000	%	RMB
Key raw materials															
Upper leather . . .	268,029	59.6	59.58	313,858	57.8	59.01	297,275	57.5	60.03	132,801	55.8	53.70	150,231	57.0	58.07
Lining leather . . .	71,242	15.9	15.84	81,177	15.0	15.26	91,677	17.7	18.51	41,489	17.4	16.78	42,692	16.2	16.50
Outsoles	45,841	10.2	10.19	60,215	11.1	11.32	59,159	11.4	11.95	30,527	12.8	12.34	36,762	14.0	14.21
Others ⁽¹⁾	64,244	14.3	14.28	87,443	16.1	16.44	69,159	13.4	13.97	33,265	14.0	13.45	33,805	12.8	13.07
Total	449,356	100.0	99.88	542,693	100.0	102.03	517,270	100.0	104.46	238,082	100.0	96.27	263,490	100.0	101.85

Note:

(1) Others primarily include insoles, fabric and heels.

Average unit cost per pair of shoes of upper leather increased by RMB4.37, or 8.1%, from RMB53.70 for the six months ended 30 June 2012 to RMB58.07 for the six months ended 30 June 2013 primarily because we increased the production of our middle-end and high-end products which used higher quality leather that commanded higher market price.

Average unit cost of lining leather per pair of shoes increased by RMB3.25, or 21.3%, from RMB15.26 for the year ended 31 December 2011 to RMB18.51 for the year ended 31 December 2012 primarily due to an increase in the market price and the fact that we used more cattle leather which has a higher price than pig leather, as lining leather.

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Direct labor costs consist of salaries and benefits for employees in our production operations, and represented approximately 14.9%, 14.9%, 15.3% and 16.4% and 15.0%, respectively, of our cost of sales for in-house production for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013.

Production overhead costs mainly comprise indirect labor (representing primarily staff costs for our production management team), fuel, electricity, depreciation of plant and equipment and rental expenses.

Sub-contracting charges relate to the costs we incur from outsourcing the production of certain of our products. We have utilised external subcontractors to produce a significant portion of our footwear products, as we optimize our cost structure and improve efficiency of our production facilities. Turnover generated from the sales of footwear products produced by our external subcontractors accounted for 22.8%, 24.6%, 32.7% and 32.6% and 36.9% of our total turnover in 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, respectively. We have also outsourced the production of all of our menswear products and leather accessories to subcontractors because we believe it is more cost efficient to outsource the production of these products than to install new production lines at our manufacturing facilities. Factors affecting our sub-contracting charges include, among others, the market price fluctuations of raw materials, the distance between suppliers of raw materials and the locations of our sub-contractors and the market labor price in different areas where our sub-contractors are located.

The following table illustrates the average unit cost of sales for our in-house and sub-contracted production for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB	RMB	RMB	RMB	RMB
In-house production	135.09	137.26	141.82	135.12	134.25
Sub-contracted production	102.09	95.70	100.58	98.44	95.03
Average unit cost of sales	125.82	118.74	119.68	115.33	112.10

The reason that the average unit cost of sales for in-house production was higher than that for the sub-contracted production during the Track Record Period was primarily because we produce most of our high-end and luxury footwear products in-house, which required higher quality of raw materials, and only outsource the production of our middle-end and low-end footwear products and our menswear and leather accessory products to third-party sub-contractors.

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The following table sets forth our cost of sales associated with each product type for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Footwear	785,927	99.8	963,205	84.5	1,017,605	79.5	488,495	78.9	538,384	80.8
Men's footwear . . .	248,072	31.5	325,706	28.6	344,916	27.0	184,453	29.8	183,954	27.6
Women's footwear . .	537,855	68.3	637,499	55.9	672,689	52.5	304,042	49.1	354,430	53.2
Menswear	–	–	170,587	15.0	260,141	20.3	129,141	20.8	126,110	18.9
Leather accessories . .	1,218	0.2	5,713	0.5	2,087	0.2	1,804	0.3	1,714	0.3
Total cost of sales . .	787,145	100.0	1,139,505	100.0	1,279,833	100.0	619,440	100.0	666,208	100.0

Gross profit and gross profit margin

For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, our gross profit was RMB282.9 million, RMB512.1 million, RMB652.3 million and RMB283.7 million and RMB418.2 million, respectively, and our gross profit margin was 26.4%, 31.0%, 33.8% and 31.4% and 38.6%, respectively, for the same periods. Our gross profit margin is affected by factors such as the average retail selling price per unit of our products and cost of sales. The following table sets forth our gross profit and gross profit margin by product type for the periods indicated:

Product Type	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Footwear	282,330	26.4	410,650	29.9	482,864	32.2	202,890	29.3	336,637	38.5
Men's footwear . . .	86,837	25.9	139,998	30.1	164,285	32.3	72,401	28.2	117,840	39.0
Women's footwear . . .	195,493	26.7	270,652	29.8	318,579	32.1	130,489	30.0	218,797	38.2
Menswear	–	–	98,828	36.7	168,054	39.2	79,635	38.1	80,749	39.0
Leather accessories . . .	615	33.6	2,577	31.1	1,378	39.8	1,154	39.0	812	32.1
Total	282,945	26.4	512,055	31.0	652,296	33.8	283,679	31.4	418,198	38.6

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The following table sets forth a breakdown of our gross profit and gross profit margin by sales channel for the periods indicated:

Channel	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Distributors . . .	161,089	26.3	379,719	31.4	476,775	34.2	220,537	31.8	287,600	37.3
Proprietary outlets	26,422	39.7	11,051	49.9	36,628	41.6	4,278	48.1	52,614	45.6
Large-scale institutional purchases . . .	949	27.0	4,483	36.7	14,586	51.6	1,513	31.2	3,881	39.5
Online sales . . .	–	–	3,309	41.6	14,810	38.9	4,906	39.0	10,944	44.9
OEM/ODM customers . . .	94,485	24.4	113,493	28.4	109,497	28.4	52,445	28.8	63,159	38.3
Total	282,945	26.4	512,055	31.0	652,296	33.8	283,679	31.4	418,198	38.6

Our Directors are of the view that the gross profit margin of our OEM/ODM business segment was relatively stable during the period from the year ended 31 December 2010 to the year ended 31 December 2012, primarily due to our strength in manufacturing procedure, quality control, timely delivery of our products and goodwill from the long term relationships we had with our existing OEM/ODM customers. Our Company intends to maintain these advantages to sustain similar gross profit margin in the future. The gross profit margin of our OEM/ODM business segment grew substantially for the six months ended 30 June 2013 primarily due to higher prices we were able to charge for our OEM and ODM products and our higher production efficiency.

As to our large-scale institution purchases segment, our Directors are of the view that the high gross profit margin for the year ended 31 December 2012 is primarily because of the efforts of our bidding team, which was specifically established to collect bidding information and make the best use of our goodwill resulting from our past business performance to obtain orders via the competitive bidding processes and who was able to successfully secure large orders with higher gross profit margin in the second half of 2012.

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Other revenue and other net loss/income

Our other revenue consists primarily of interest income from bank deposits and government grants. Our other net loss/income primarily consists of net foreign exchange loss/gain, loss on disposal of fixed assets and net loss on forward foreign exchange contracts. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, the total of our other revenue and other net loss/income was RMB20.5 million, RMB23.3 million, RMB36.5 million and RMB15.5 million and RMB8.6 million, respectively. The following table sets forth a breakdown of our other revenue and other net loss/income for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other Revenue					
Interest income	25,546	27,485	15,442	14,093	4,021
Government grants	1,666	1,757	18,844	623	1,889
Others.	88	32	315	187	1,250
	<u>27,300</u>	<u>29,274</u>	<u>34,601</u>	<u>14,903</u>	<u>7,160</u>
Other Net (loss)/Income					
Net foreign exchange					
(loss)/gain.	(6,783)	(5,774)	2,741	621	(422)
Loss on disposal of fixed					
assets	–	(168)	(57)	(57)	(28)
Unrealised (loss)/gain on					
forward foreign exchange					
contracts.	–	–	(871)	–	2,006
Others.	–	6	70	70	(166)
	<u>(6,783)</u>	<u>(5,936)</u>	<u>1,883</u>	<u>634</u>	<u>1,390</u>
Total of other revenue and					
 other net loss/income	<u>20,517</u>	<u>23,338</u>	<u>36,484</u>	<u>15,537</u>	<u>8,550</u>

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Selling and distribution expenses

Selling and distribution expenses primarily consist of advertising and promotional expenses relating to brand promotions, publicity and sponsorship fees and advertisements, salaries and benefits for sales and marketing personnel, transportation costs, rental fees, traveling expenses and outlet management fees. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, our selling and distribution expenses accounted for 5.8%, 5.8%, 6.6% and 5.1% and 6.8%, respectively, of our turnover. Advertising and promotional expenses accounted for the vast majority of our selling and distribution expenses. For the the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, advertising and promotional expenses were RMB43.2 million, RMB75.0 million, RMB80.2 million and RMB35.0 million and RMB28.6 million, respectively, representing 69.2%, 78.4%, 62.9% and 76.6% and 38.8%, respectively, of our selling and distribution expenses for the same periods. Rental expenses primarily consist of expenses for renting (i) office space and (ii) proprietary retail outlets. We have entered into rental leases for the premises of five of the proprietary retail outlets we operate. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June					
	2010		2011		2012		2012		2013			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Advertising and promotion expenses	43,176	69.2	74,978	78.4	80,194	62.9	34,961	76.6	28,618	38.8		
Salaries and benefits. . .	7,706	12.4	8,634	9.0	24,377	19.1	5,030	11.0	25,251	34.2		
Transportation costs . . .	4,049	6.5	4,099	4.3	7,076	5.6	2,832	6.2	5,165	7.0		
Rental fees	1,434	2.3	1,186	1.2	3,014	2.4	781	1.7	2,232	3.1		
Traveling expenses . . .	961	1.5	1,650	1.7	1,547	1.2	511	1.1	1,581	2.1		
Outlet management fees.	1,884	3.0	876	0.9	8,406	6.6	340	0.7	8,869	12.0		
Others ⁽¹⁾	3,143	5.1	4,268	4.5	2,837	2.2	1,200	2.7	2,054	2.8		
Total selling and distribution expenses	62,353	100.0	95,691	100.0	127,451	100.0	45,655	100.0	73,770	100.0		

Note:

(1) Others primarily includes office expenses, motor vehicles costs, utility fees and insurance expenses.

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Administrative and other operating expenses

Our administrative and operating expenses primarily consist of salaries and benefits for administrative personnel, research and development costs, depreciation and amortization expenses relating to property, plant and equipment used for administrative purposes, fees for consulting services, office expenses, business entertainment fees, motor vehicle costs and travelling fees. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, our administrative and other operating expenses were RMB39.3 million, RMB63.5 million, RMB87.3 million and RMB33.3 million and RMB60.8 million, respectively. The following table sets forth a breakdown of our administrative and other operating expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June					
	2010		2011		2012		2012		2013			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Salaries and benefits. . .	11,861	30.2	17,557	27.7	34,230	39.2	12,721	38.2	17,262	28.4		
Research and development expenses ⁽¹⁾	8,071	20.5	15,201	24.0	24,581	28.2	8,611	25.8	19,918	32.8		
Depreciation and amortization	2,764	7.0	2,500	3.9	6,340	7.3	2,736	8.2	3,779	6.2		
Fees for consulting services	2,102	5.4	5,373	8.5	3,283	3.8	2,107	6.3	312	0.5		
Offices expenses	1,213	3.1	2,432	3.8	2,974	3.4	1,405	4.2	1,510	2.5		
Business entertainment expenses	1,360	3.5	1,668	2.6	2,448	2.8	1,195	3.6	1,083	1.8		
Motor vehicle costs.	1,763	4.5	1,826	2.9	2,223	2.5	967	2.9	790	1.3		
Traveling expenses	2,016	5.1	1,752	2.8	3,156	3.6	893	2.7	1,385	2.3		
Bad debt	102	0.3	5,922	9.3	(9,281)	(10.6)	(1,550)	(4.6)	–	–		
Others ⁽²⁾	8,031	20.4	9,219	14.5	17,319	19.8	4,232	12.7	14,776	24.3		
Total administrative and other expenses .	39,283	100.0	63,450	100.0	87,273	100.0	33,317	100.0	60,815	100.0		

Notes:

- (1) Research and development expenses include staff costs of employees in the design, research and development department.
- (2) Others primarily include listing expenses, tax expenses, insurance expenses and rental fees.

For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, our administrative and other operating expenses represented 3.7%, 3.8%, 4.5% and 3.7% and 5.6%, respectively, of our turnover for the relevant period.

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Finance cost

Our finance costs represent interest on bank loans and interest on other borrowings wholly repayable within five years, which were RMB40.9 million, RMB50.3 million, RMB42.1 million and RMB26.9 million and RMB10.6 million for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, respectively.

Income tax

Our income tax represents current tax and movements in deferred tax assets. Current tax comprises primarily PRC corporate income tax for the entities comprising our Group and tax provisions in respect of prior years. Deferred tax comprises mainly movement in deferred tax assets on recognised deductible temporary differences arising from accrued expenses, provision for doubtful debts and unrealized profits in inventories. Our Group was not subject to Hong Kong Profits Tax as our Group did not earn any assessable profit subject to Hong Kong Profits Tax during the Track Record Period.

Under the PRC Corporate Income Tax Law, we and our subsidiaries are subject to a statutory rate of 25% except one of our subsidiaries, Fujian Fuguiniao, which was entitled to a preferential tax rate of 12.5% in 2010 and 2011. According to the relevant PRC regulations, to obtain preferential tax treatment as a productive foreign-invested enterprise in a certain fiscal year, the turnover of such foreign-invested enterprise derived from production activities must exceed 50% of its total turnover during that year. In the year ended 31 December 2012, Fujian Fuguiniao transformed its focus from production to retail sales as a measure to facilitate our process of gradually taking over the operation of the 208 department store outlets originally operated by the Related Distributor in 2012. Therefore, the productive turnover of Fujian Fuguiniao did not exceed 50% of its total turnover, and accordingly, it failed to be qualified as a productive foreign-invested enterprise, and was subject to a statutory rate of 25%.

Our income tax expenses for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013 were RMB42.2 million, RMB72.1 million, RMB108.4 million and RMB48.3 million and RMB72.5 million, respectively. Our effective tax rate for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 was 26.2%, 22.1% and 25.1% and 25.0% and 25.8%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended 30 June 2012 compared with Six Months Ended 30 June 2013

Turnover

Our turnover increased by RMB181.3 million, or 20.1%, from RMB903.1 million for the six months ended 30 June 2012 to RMB1,084.4 million for the six months ended 30 June 2013. This increase was primarily due to the increase in the sales of our footwear products.

Sales of footwear products. Turnover from the sales of our footwear products increased by RMB183.6 million, or 26.6%, from RMB691.4 million for the six months ended 30 June 2012 to RMB875.0 million for the six months ended 30 June 2013. This increase consisted of an increase in the turnover from the sales of our men's footwear and women's footwear products by RMB44.9 million and RMB138.7 million, respectively, and was primarily due to (i) an increase in the turnover generated from our proprietary retail outlets;

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(ii) an increase in the turnover from our online sales, which almost doubled; and (iii) an increase in the average sales prices of our footwear products in response to an increase in the sales price of footwear products in the PRC footwear market.

Sales of menswear products. Turnover from the sales of our menswear products remained relatively stable with a slight decrease of RMB1.9 million, or 0.9%, from RMB208.8 million for the six months ended 30 June 2012 to RMB206.9 million for the six months ended 30 June 2013.

Sales of leather accessory products. Turnover from the sales of our leather accessory products decreased by RMB0.5 million, or 16.7%, from RMB3.0 million for the six months ended 30 June 2012 to RMB2.5 million for the six months ended 30 June 2013. This decrease was primarily due to a decrease in the sales volume as a result of fluctuating demand from our distributors.

Turnover by location. Turnover from the sales of our branded products in China increased by RMB179.6 million, or 24.2%, from RMB741.0 million for the six months ended 30 June 2012 to RMB920.6 million for the six months ended 30 June 2013. This increase was primarily due to the increase of the turnover generated from our proprietary retail outlets as a result of our gradually taking over the operation of 208 retail outlets from the Related Distributor beginning in July 2012. Turnover from the sales of our products overseas, all attributable to footwear products manufactured from overseas brands on an OEM or ODM basis, remained relatively stable for the six months ended 30 June 2012 and 2013.

Turnover by brand. Turnover from the sales of our Fuguiniao products increased by RMB135.3 million, or 19.5%, from RMB694.9 million for the six months ended 30 June 2012 to RMB830.2 million for the six months ended 30 June 2013. This increase was primarily due to an increase in the sales volume of our footwear products and an increase in average sales price. Turnover from the sales of our AnyWalk products decreased by RMB5.3 million, or 23.5%, from RMB22.6 million for the six months ended 30 June 2012 to RMB17.3 million for the six months ended 30 June 2013. This decrease was primarily due to the adjustment we were in the process of making to the products' style which is expected to be completed by the end of 2013. Due to such on-going adjustment, we only sold products in stock instead of offering and promoting any new products. Turnover from the sales of our FGN products increased by RMB68.7 million, or 2020.6%, from RMB3.4 million for the six months ended 30 June 2012 to RMB72.1 million for the six months ended 30 June 2013. This increase was primarily because our FGN brand was first introduced in 2012 and our business under the FGN brand became more mature in the first half of 2013. Turnover from the sales of our OEM/ODM products decreased by RMB17.5 million, or 9.6%, from RMB182.2 million for the six months ended 30 June 2012 to RMB164.7 million for the six months ended 30 June 2013. This decrease was primarily due to a decrease in the orders from our domestic OEM/ODM customers, which vary from time to time due to the nature of their business.

Turnover by sales channel. Turnover from distributors increased by RMB75.5 million, or 10.9%, from RMB694.6 million for the six months ended 30 June 2012 to RMB770.1 million for the six months ended 30 June 2013. This increase was primarily due to an increase in the sales orders from our distributors and an increase in the average sales price of our products. Turnover from our proprietary outlets increased by RMB106.5 million, or 1196.6%, from RMB8.9 million for the six months ended 30 June 2012 to RMB115.4 million for the six months ended 30 June 2013. This increase was primarily due to the turnover contributed by the 208 retail outlets whose operation we gradually took over from the

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Related Distributor beginning in July 2012. Turnover from large-scale institutional purchases and online sales increased by RMB16.8 million, or 96.6%, from RMB17.4 million for the six months ended 30 June 2012 to RMB34.2 million for the six months ended 30 June 2013. This increase was primarily due to the maturity of our business in large-scale institutional purchases and online sales.

Cost of sales

Our cost of sales increased by RMB46.8 million, or 7.6%, from RMB619.4 million for the six months ended 30 June 2012 to RMB666.2 million for the six months ended 30 June 2013. This increase was primarily due to an increase in sales volume of our products and a slight increase in average unit cost, partially offset by a decrease in production overhead and direct labor as more of our products were outsourced to third-party subcontractors for production.

Cost of sales by product

Cost of sales of footwear products. Cost of sales of our footwear products increased by RMB49.9 million, or 10.2%, from RMB488.5 million for the six months ended 30 June 2012 to RMB538.4 million for the six months ended 30 June 2013. This increase was primarily due to an increase in the cost of sales of women's footwear as a result of a significant increase in sales.

Cost of sales of menswear products. Cost of sales of our menswear products decreased by RMB3.0 million, or 2.3%, from RMB129.1 million for the six months ended 30 June 2012 to RMB126.1 million for the six months ended 30 June 2013. This decrease was in line with a decrease in the sales of our menswear products as a result of weakening customer demand.

Cost of sales of leather accessory products. Cost of sales of our leather accessory products decreased by RMB0.1 million, or 5.6%, from RMB1.8 million for the six months ended 30 June 2012 to RMB1.7 million for the six months ended 30 June 2013. This decrease was in line with a decrease in the sales of our leather accessory products.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB134.5 million, or 47.4%, from RMB283.7 million for the six months ended 30 June 2012 to RMB418.2 million for the six months ended 30 June 2013. Our gross profit margin increased from 31.4% for the six months ended 30 June 2012 to 38.6% for the six months ended 30 June 2013. This increase in our gross profit margin during this period was primarily because (i) the average sales price of our footwear products increased; and (ii) we sold more products to our end customers through direct sales channels such as proprietary retail outlets and online sales, for which the cost of sales was generally less than the cost of sales through other indirect sales channels, such as retail outlets operated by our distributors.

Other revenue and other net loss/income

Our other revenue and other net loss/income decreased by RMB6.9 million, or 44.5%, from RMB15.5 million for the six months ended 30 June 2012 to RMB8.6 million for the six months ended 30 June 2013. This decrease was primarily due to a decrease in the interest income as a result of the full repayment of the loan we extended to our related party, Shishi Fuguiniao, which was partially offset by an increase in the advertising grants from PRC local government, and in unrealised gain on forward foreign exchange contracts.

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Selling and distribution expenses

Our selling and distribution expenses increased by RMB28.1 million, or 61.5%, from RMB45.7 million for the six months ended 30 June 2012 to RMB73.8 million for the six months ended 30 June 2013. This increase was primarily due to (i) a substantial increase in salaries and benefits of our sales and marketing personnel as a result of an increase in headcount and (ii) an increase in outlet management fees from our management of additional proprietary retail outlets.

Administrative and other operating expenses

Administrative and other operating expenses increased by RMB27.5 million, or 82.6%, from RMB33.3 million for the six months ended 30 June 2012 to RMB60.8 million for the six months ended 30 June 2013. This increase was primarily due to an increase in the research and development expenses as we increased our research and development efforts, salaries and benefits for our administrative personnel due to an increase in headcount and listing expenses incurred.

Finance costs

Our finance costs decreased by RMB16.3 million, or 60.6%, from RMB26.9 million for the six months ended 30 June 2012 to RMB10.6 million for the six months ended 30 June 2013. This decrease was primarily due to a decrease in interest payment on our bank loans.

Income tax

Our income tax increased by RMB24.2 million, or 50.1%, from RMB48.3 million for the six months ended 30 June 2012 to RMB72.5 million for the six months ended 30 June 2013. This increase was primarily due to the increases of our profit before taxation. Our effective tax rate increased from 25.0% for the six months ended 30 June 2012 to 25.8% for the six months ended 30 June 2013.

Profit for the period

As a result of the foregoing, our profit for six months increased by RMB63.9 million, or 44.0%, from RMB145.1 million for the six months ended 30 June 2012 to RMB209.0 million for the six months ended 30 June 2013.

Year Ended 31 December 2012 compared with Year Ended 31 December 2011

Turnover

Our turnover increased by RMB280.5 million, or 17.0%, from RMB1,651.6 million for the year ended 31 December 2011 to RMB1,932.1 million for the year ended 31 December 2012. The increase was primarily due to (i) an increase in the sales of our footwear products and (ii) an increase in the sales of our menswear products.

Sales of footwear products. Turnover from the sales of our footwear products increased by RMB126.6 million, or 9.2%, from RMB1,373.9 million for the year ended 31 December 2011 to RMB1,500.5 million for the year ended 31 December 2012. This increase consisted of an increase in the turnover from the sales of our men's footwear and women's footwear products by RMB43.5 million and RMB83.1 million, respectively, and was primarily due to (i) an increase in the volume of footwear products sold from 7.6 million pairs for the

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year ended 31 December 2011 to 7.8 million pairs for the year ended 31 December 2012 as a result of an increase in the number of footwear retail outlets from 2,274 in 2011 to 2,412 in 2012 and stronger demand from our distributors associated with our business expansion; and (ii) higher average sales prices from RMB179.68 per pair for the year ended 31 December 2011 to RMB193.36 per pair for the year ended 31 December 2012 as a result of the increase in suggested price ranges we provided to our distributors of our products and stronger bargaining power reflecting our improving brand recognition, which allowed us to raise the prices of the products we sold to our distributors as well as an increase in proprietary sales and a decrease of OEM/ODM sales as a percentage of total sales.

Sales of menswear products. Turnover from the sales of our menswear products increased by RMB158.8 million, or 58.9%, from RMB269.4 million for the year ended 31 December 2011 to RMB428.2 million for the year ended 31 December 2012. This increase was primarily due to (i) an increase in the sales volume of menswear products sold from 1.9 million pieces for the year ended 31 December 2011 to 2.8 million pieces for the year ended 31 December 2012 as a result of an increase in the number of menswear retail outlets from 757 in 2011 to 819 in 2012; (ii) higher average sales prices of our menswear products from RMB140.03 per piece for the year ended 31 December 2011 to RMB150.67 per piece for the year ended 31 December 2012 and (iii) the consolidation of turnover from our menswear business into our Group for the full year in 2012 compared to eight months in 2011.

Sales of leather accessory products. Turnover from the sales of our leather accessory products decreased by RMB4.8 million, or 57.8%, from RMB8.3 million for the year ended 31 December 2011 to RMB3.5 million for the year ended 31 December 2012. This decrease was primarily due to a shift to selling smaller leather accessories such as wallets and belts that have lower sales price rather than larger leather accessories such as leather luggage, handbags and briefcases. As a result, average sales price of our leather accessories decreased from RMB307.04 per item for the year ended 31 December 2011 to RMB37.66 per item for the year ended 31 December 2012.

Turnover by location. Turnover from the sales of our branded products in China increased by RMB285.5 million, or 22.1%, from RMB1,293.0 million for the year ended 31 December 2011 to RMB1,578.5 million for the year ended 31 December 2012, primarily because of an increase in the number of retail outlets in our network that sold our branded products and a higher average sales price. Turnover from the sales of our products overseas, all attributable to footwear products manufactured for overseas brands on an OEM or ODM basis, remained relatively stable for the years ended 31 December 2011 and 2012.

Turnover by brand. Turnover from the sales of our Fuguiniao products increased by RMB164.6 million, or 13.4%, from RMB1,230.2 million for the year ended 31 December 2011 to RMB1,394.8 million for the year ended 31 December 2012, primarily due to strong growth contributed by the sale of our menswear products under the Fuguiniao brand, driven by increase in both sales volume and average sales price, and because we were able to consolidate the turnover from our menswear business for only eight months in 2011. Turnover from the sales of our AnyWalk products increased significantly from RMB21.1 million for the year ended 31 December 2011 to RMB46.8 million for the year ended 31 December 2012 primarily due to (i) the increase in the number of units sold and higher average sales price and (ii) an increase in the number of retail outlets that sold our AnyWalk products and in the average sales at the individual retail outlets. Turnover from the sales of our OEM/ODM products decreased from RMB400.3 million for the year ended 31 December 2011 to RMB385.0 million for the year ended 31 December 2012 primarily due to a decrease in the number of OEM/ODM units sold in China and a decrease in the average sales price for OEM/ODM products sold overseas.

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Turnover by sales channel. Turnover from distributors increased by RMB183.8 million, or 15.2%, from RMB1,209.0 million for the year ended 31 December 2011 to RMB1,392.8 million for the year ended 31 December 2012, primarily due to an increase in the number of retail outlets operated by our distributors in 2012. Turnover from our proprietary outlets increased significantly from RMB22.2 million for the year ended 31 December 2011 to RMB88.0 million for the year ended 31 December 2012 mainly because we gradually took over the operations of the 208 proprietary outlets from the Related Distributor during the Track Record Period, which consisted of eight companies and which was owned by one of our Directors and Shareholder, Mr. Lam Wo Sze, beginning in July 2012. In connection with the takeover, we entered into new contracts with the relevant department stores where the 208 retail outlets were located after their then-existing contracts with such department stores have expired or were terminated by the Related Distributor. The new contracts were entered into by us on substantially the same terms as the expired or terminated contracts. Turnover from large-scale institutional purchases and online sales also increased significantly by RMB16.1 million and RMB30.1 million from 2011 to 2012, respectively, primarily due to our effort to expand of our business in these two segments and an increase in the number of our online customers.

Cost of sales

Our cost of sales increased by RMB140.3 million, or 12.3%, from RMB1,139.5 million for the year ended 31 December 2011 to RMB1,279.8 million for the year ended 31 December 2012. This increase was primarily due to significant increases in the subcontracting charges we incurred due to increased sales of our menswear and leather accessory products, production of all of which are subcontracted, as well as an increase in outsourcing production of additional footwear products. This increase was partially offset by a decrease in the cost of raw materials, direct labor and production overhead as a result of reduced internal production of our footwear products.

Cost of sales by product

Cost of sales of footwear products. Cost of sales of our footwear products increased by RMB54.4 million, or 5.6%, from RMB963.2 million for the year ended 31 December 2011 to RMB1,017.6 million for the year ended 31 December 2012. This increase was primarily due to an increase in the outsourcing cost associated with the increased sales of our footwear products in 2012.

Cost of sales of menswear products. Cost of sales of our menswear products increased by RMB89.5 million, or 52.5%, from RMB170.6 million for the year ended 31 December 2011 to RMB260.1 million for the year ended 31 December 2012. This increase was primarily due to the rapid expansion of our menswear business resulting in higher outsourcing costs corresponding with increased sales because we outsource the production of all of our menswear products.

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Cost of sales of leather accessory products. Cost of sales of our leather accessory products decreased by RMB3.6 million, or 63.2%, from RMB5.7 million for the year ended 31 December 2011 to RMB2.1 million for the year ended 31 December 2012, primarily due to our shift to sell smaller leather accessories such as wallets and belts in 2012, rather than large leather accessories, such as leather luggage, handbags and briefcases, which were the focus in 2011.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB140.2 million, or 27.4%, from RMB512.1 million for the year ended 31 December 2011 to RMB652.3 million for the year ended 31 December 2012. Our gross profit margin increased from 31.0% for the year ended 31 December 2011 to 33.8% for the year ended 31 December 2012. The increase in our gross profit margin during this period was primarily due to (i) an increase in average sales price; (ii) an increase in percentage of turnover provided by sales of menswear products which have higher gross profit margins; (iii) a decrease in percentage of turnover provided by OEM/ODM sales, which have lower margins and economies of scale; (iv) stronger bargaining power in raw material procurement and subcontracting negotiations and (v) higher efficiency in management of our production costs.

Other revenue and other net loss/income

The total of our other revenue and other net loss/income increased by RMB13.2 million, or 56.7%, from RMB23.3 million for the year ended 31 December 2011 to RMB36.5 million for the year ended 31 December 2012, primarily due to an increase in government grant and net foreign exchange gain, partially offset by a decrease in interest income from bank deposits and a net loss on forward foreign exchange contracts. Our interest income decreased from RMB27.5 million for the year ended 31 December 2011 to RMB15.4 million for the year 31 December 2012 because of a decrease in the loans to a related party. In 2012, we had a net gain of RMB2.7 million on foreign exchange as compared to 2011 when we had a net loss of RMB5.8 million. The loans were fully repaid in August 2012.

Selling and distribution expenses

Our selling and distribution expenses increased RMB31.8 million, or 33.2%, from RMB95.7 million for the year ended 31 December 2011 to RMB127.5 million for the year ended 31 December 2012. The increase was primarily a result of (i) an increase in the advertising and promotion expenses primarily due to increased number of retail outlets and provision of additional decoration and other in-store displays; (ii) increases in salaries and benefits of sales and marketing personnel primarily due to an increase in the number of our proprietary outlets; and (iii) increases in rental fees and outlet management expenses primarily due to an increase in the number of our proprietary outlets.

Administrative and other operating expenses

Administrative and other operating expenses increased by RMB23.8 million, or 37.5%, from RMB63.5 million for the year ended 31 December 2011 to RMB87.3 million for the year ended 31 December 2012. The increase was primarily due to (i) an increase in the salaries and benefits of our administrative personnel primarily due to the expansion of our administrative work force and the related increase in compensation; and (ii) an increase in research and development costs as a result of the expansion of our menswear business and the establishment of our research center in Dongguan, Guangdong Province, China, partially offset by a decrease in fees for consulting services as a result of the completion of several management consulting projects in 2011 that were not renewed in 2012.

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Finance costs

Our finance costs decreased by RMB8.2 million, or 16.3%, from RMB50.3 million for the year ended 31 December 2011 to RMB42.1 million for the year ended 31 December 2012. The decrease was primarily due to a decrease in interest on bank loans and other borrowings from RMB48.2 million for the year ended 31 December 2011 to RMB41.5 million for the year ended 31 December 2012 due to a decrease in outstanding bank loans and other borrowings during the period as a result of our repayment of bank loans.

Income tax

Our income tax increased by RMB36.3 million, or 50.3%, from RMB72.1 million for the year ended 31 December 2011 to RMB108.4 million for the year ended 31 December 2012. The increase was primarily due to an increase of RMB40.0 million in PRC corporate income tax primarily as a result of an increase in our profit before taxation and the expiration of preferential tax status for one of our subsidiaries, Fujian Fuguiniao, in 2011, as partially offset by an increase of RMB5.5 million in deferred tax assets. Our effective tax rate increased from 22.1% for the year ended 31 December 2011 to 25.1% for the year ended 31 December 2012.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB69.7 million, or 27.5%, from RMB253.9 million for the year ended 31 December 2011 to RMB323.6 million for the year ended 31 December 2012.

Year Ended 31 December 2011 Compared with Year Ended 31 December 2010

Turnover

Our turnover increased by RMB581.5 million, or 54.3%, from RMB1,070.1 million for the year ended 31 December 2010 to RMB1,651.6 million for the year ended 31 December 2011. The increase was primarily due to (i) an increase in the sales of our footwear products and (ii) commencement of our sales of menswear products beginning in May 2011.

Sales of footwear products. Turnover from the sales of our footwear products increased by RMB305.6 million, or 28.6% from RMB1,068.3 million for the year ended 31 December 2010 to RMB1,373.9 million for the year ended 31 December 2011. This increase consisted of an increase in the turnover from the sales of our men's footwear and women's footwear products of RMB130.8 million and RMB174.8 million, respectively, and was primarily due to (i) an increase in sales volume from 6.2 million pairs for the year ended 31 December 2010 to 7.6 million pairs for the year ended 31 December 2011, which was contributed by the growth in the number of retail outlets that sell our branded footwear products from 1,820 in 2010 to 2,274 in 2011; and (ii) an increase in the average sales price from RMB170.95 per pair for the year ended 31 December 2010 to RMB179.68 per pair for the year ended 31 December 2011.

Sales of menswear products. Turnover from the sales of our menswear products increased to RMB269.4 million for the year ended 31 December 2011 from RMB Nil for the year ended 31 December 2010, due to the fact that we began selling branded business casual menswear products in May 2011 as a result of a fundamental change in our product mix.

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Sales of leather accessory products. Turnover from the sales of our sales of leather accessory products increased from RMB1.8 million for the year ended 31 December 2010 to RMB8.3 million for the year ended 31 December 2011, primarily due to an increase in the number of units sold and an increase in average sales price, which increased from RMB261.86 per item for the year ended 31 December 2010 to RMB307.04 per pair for the year ended 31 December 2011.

Turnover by location. Turnover from the sales of our branded products in China increased by RMB579.7 million, or 81.3%, from RMB713.3 million for the year ended 31 December 2010 to RMB1,293.0 million for the year ended 31 December 2011, primarily because of a rapid increase in the number of retail outlets in our network that sold our branded products and a higher average sales price. Turnover from the sales of our products overseas, all attributable to footwear products manufactured for overseas brands on an OEM or ODM basis, remained stable for the years ended 31 December 2010 and 2011.

Turnover by brand. Turnover from the sales of our Fuguiniao products increased by RMB548.7 million, or 80.5%, from RMB681.5 million for the year ended 31 December 2010 to RMB1,230.2 million for the year ended 31 December 2011, primarily due to the commencement of the sales of our Fuguiniao branded menswear in May 2011 and an increase in the units sold and higher average sales price of the other Fuguiniao – branded products. Turnover from the sales of our AnyWalk products increased from RMB2.1 million for the year ended 31 December 2010 to RMB21.1 million for the year ended 31 December 2011 primarily due to (i) the increase in the number of units sold and higher average sales price and (ii) an increase in the number of retail outlets that sold our AnyWalk products and in the average sales at the individual retail outlets. Turnover from the sales of our OEM/ODM products increased from RMB386.6 million for the year ended 31 December 2010 to RMB400.3 million for the year ended 31 December 2011 primarily due to an increase in the number of OEM/ODM units sold in China and a slight increase in turnover from the OEM/ODM products sold overseas.

Turnover by sales channel. Turnover from distributors increased significantly from RMB613.4 million for the year ended 31 December 2010 to RMB1,209.0 million for the year ended 31 December 2011, primarily due to an increase in the number of retail outlets operated by our distributors in 2011. Turnover from our proprietary outlets decreased substantially from RMB66.6 million for the year ended 31 December 2010 to RMB22.2 million for the year ended 31 December 2011 mainly due to our strategic decision to transfer a significant number of our proprietary retail outlets to distributors located in areas we consider non-strategic to our operations. Turnover from large-scale institutional purchases also increased from 2010 to 2011 primarily due to our efforts for expansion by establishing a dedicated sales and marketing team that targets large institutional customers.

Cost of sales

Our cost of sales increased by RMB352.4 million, or 44.8%, from RMB787.1 million for the year ended 31 December 2010 to RMB1,139.5 million for the year ended 31 December 2011. This increase was primarily due to increased sales volume of our products, including our menswear products in 2011, the general increase in the cost of raw materials and labor in China due in part to inflation and a substantial increase in sub-constructing charges as a result of the rapid expansion of our outsourcing operations.

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Cost of sales by product

Cost of sales of footwear products. Cost of sales of our footwear products increased by RMB177.3 million, or 22.6%, from RMB785.9 million for the year ended 31 December 2010 to RMB963.2 million for the year ended 31 December 2011. This increase was primarily due to an increase in the volume of footwear products sold and an increase in the price of raw materials, such as natural cattle leather, heels and outsoles which increased from RMB449.4 million for the year ended 31 December 2010 to RMB542.7 million for the year ended 31 December 2011.

Cost of sales of menswear products. Cost of sales of our menswear products increased from RMB Nil for the year ended 31 December 2010 to RMB170.6 million for the year ended 31 December 2011. This increase was due to the commencement of the sales of our branded business casual menswear products in May 2011.

Cost of sales of leather accessory products. Cost of sales of our leather accessory products increased by RMB4.5 million, or 375%, from RMB1.2 million for the year ended 31 December 2010 to RMB5.7 million for the year ended 31 December 2011. This increase was primarily due to an increase in the number of units of large leather accessories sold.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased RMB229.2 million, or 81.0%, from RMB282.9 million for the year ended 31 December 2010 to RMB512.1 million for the year ended 31 December 2011. Our gross profit margin increased from 26.4% for the year ended 31 December 2010 to 31.0% for the year ended 31 December 2011. The increase in our gross profit margin during this period was primarily due to (i) our average cost of sales per unit remaining relatively stable between 2010 and 2011 while we made upward adjustment on the average sales price of our footwear products from RMB170.95 per pair for the year ended 31 December 2010 to RMB179.68 per pair for the year ended 31 December 2011, (ii) the commencement of the sale of our menswear products, which has a higher gross profit margin at 36.7% for the year ended 31 December 2011, compared to that of our footwear business, which was 29.9% for the same period, and (iii) the sales of our products to distributors, which have a higher gross profit margin than our OEM/ODM products, increased at a faster pace than the sales of our products to OEM/ODM customers.

Other revenue and other net loss/income

Our other revenue and other net loss/income increased by RMB2.8 million, or 13.7%, from RMB20.5 million for the year ended 31 December 2010 to RMB23.3 million for the year ended 31 December 2011, primarily due to slight increases in interest income from bank deposits and government grants.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB33.3 million, or 53.4%, from RMB62.4 million for the year ended 31 December 2010 to RMB95.7 million for the year ended 31 December 2011. The increase was primarily a result of an increase in advertising and promotion expenses primarily due to increased number of retail outlets and additional provision for decoration and other in-store display costs, partially offset by a sharp decrease in outlet management fees as a result of our strategic decision to transfer a significant number of proprietary retail outlets to distributors located in areas we consider non-strategic to our operations.

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Administrative and other operating expenses

Administrative and other operating expenses increased by RMB24.2 million, or 61.6%, from RMB39.3 million for the year ended 31 December 2010 to RMB63.5 million for the year ended 31 December 2011. The increase was primarily due to (i) an increase in the salaries and benefits of our administrative personnel primarily due to the expansion of our administrative work force and the related increase in pay; (ii) an increase in the research and development costs as a result of the expansion of our menswear business and (iii) an increase in fees for the initiation of several management consulting projects in 2011.

Finance costs

Our finance costs increased by RMB9.4 million, or 23.0%, from RMB40.9 million for the year ended 31 December 2010 to RMB50.3 million for the year ended 31 December 2011. The increase was primarily due to an increase of RMB7.3 million in interest on bank borrowings and an increase of RMB2.1 million in interest on other borrowings wholly repayable within five years.

Income tax

Our income tax increased by RMB29.9 million, or 70.9%, from RMB42.2 million for the year ended 31 December 2010 to RMB72.1 million for the year ended 31 December 2011. The increase was primarily due to an increase of RMB33.6 million in PRC corporate income tax primarily as a result of an increase in our profit before taxation, as partially offset by an over-provision of income tax in respect of prior year and an increase of RMB0.6 million in deferred tax assets resulting primarily from bad debt. Our effective tax rate decreased from 26.2% for the year ended 31 December 2010 to 22.1% for the year ended 31 December 2011, primarily as a result of Fujian Fuguiniao, one of our subsidiaries, enjoyed preferential tax rate in 2011 as a result of meeting the requirements of productive foreign invested enterprise under the relevant PRC tax rules.

Profit for the year

As a result of the foregoing, our profit for the year increased RMB135.2 million, or 113.9%, from RMB118.7 million for the year ended 31 December 2010 to RMB253.9 million for the year ended 31 December 2011.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements, including (i) trade and other payables; (ii) product development; (iii) manufacturing and operating expenses; (iv) repayment of bank loans; and (v) other borrowings and related interest expenses and payment of income tax. We have historically funded our cash requirements primarily from cash flow generated from operations, bank loans and capital injection from shareholders. During the Track Record Period, there have been no material changes in the underlying drivers of the sources and uses of cash. In the future, we intend to satisfy our liquidity requirements by using a combination of cash flow generated from operations, bank loans and other borrowings, net proceeds from the Global Offering and other funds raised from capital market activities from time to time. However, our ability to fund our future liquidity needs is subject to financial success of our current business and other factors including economic and market conditions, some of which are beyond our control. See “Risk Factors – Risks Relating to Our Business – Our ability to obtain additional financing may be limited”.

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The following table presents selected cash flow data from our Group's consolidated cash flow statements for the Track Record Period, as derived from "Appendix I – Accountants' Report" to this prospectus.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash (used in)/generated from operating activities.	(103,623)	265,274	422,048	204,175	115,825
Net cash generated from/(used in) investing activities	467,976	47,816	(56,017)	(68,127)	(164,290)
Net cash (used in)/generated from financing activities.	(317,040)	49,851	(477,720)	(205,539)	(84,212)
Net increase/(decrease) in cash and cash equivalents	47,313	362,941	(111,689)	(69,491)	(132,677)
Cash and cash equivalents at the beginning of the year.	65,676	112,986	474,663	474,663	362,784
Effect of foreign exchange rate changes	(3)	(1,264)	(190)	52	(592)
Cash and cash equivalents at the end of the year/period	<u>112,986</u>	<u>474,663</u>	<u>362,784</u>	<u>405,224</u>	<u>229,515</u>

Cash Flows from Operating Activities

For the six months ended 30 June 2013, our net cash generated from operating activities amounted to RMB115.8 million, primarily reflecting our profit before taxation of RMB281.5 million, as positively adjusted primarily by (i) an RMB40.6 million increase in trade and other payables, which was primarily a result of our effective usage of credit period offered by our suppliers; (ii) an RMB24.6 million decrease in inventories, which was primarily a result of an improvement in our production efficiency and inventory utilisation; (iii) RMB11.3 million in depreciation and amortization; and (iv) RMB10.6 million in interest expense, offset primarily by (i) an RMB148.1 million increase in trade and other receivables; (ii) an RMB20.5 million increase in pledged deposits; (iii) RMB4.9 million in interest income; and (iv) an RMB2.0 million of unrealized gain on forward foreign exchange contracts.

For the year ended 31 December 2012, our net cash generated from operating activities amounted to RMB422.0 million, primarily reflecting our profit before taxation of RMB431.9 million, as positively adjusted primarily by (i) an RMB67.5 million increase in trade and other payables, which was primarily a result of our effective usage of the credit period offered by our suppliers; (ii) an RMB34.9 million decrease in trade and other receivables, which was primarily a result of our improved collection efforts; (iii) RMB42.1 million in interest expense; and (iv) RMB19.1 million in depreciation and amortization, offset primarily by (i) an RMB61.4 million increase in inventories; (ii) RMB15.4 million in interest income; and (iii) RMB9.2 million in write-back of provision for impairment of trade and bills receivables.

For the year ended 31 December 2011, our net cash generated from operating activities amounted to RMB265.3 million, primarily reflecting our profit before taxation of RMB326.0 million, as positively adjusted primarily by (i) an RMB67.5 million decrease in inventories; (ii) RMB50.3 million in interest expense; (iii) an RMB21.3 million increase in

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trade and other payables, which was primarily a result of higher payroll payable and receipts in advance; and (iv) RMB11.9 million in depreciation and amortization, offset primarily by (i) an RMB144.0 million increase in trade and other receivables, which was primarily a result of an increase in the sales of our products; and (ii) RMB27.5 million in interest income.

For the year ended 31 December 2010, our net cash used in operating activities amounted to RMB103.6 million, primarily reflecting our profit before taxation of RMB161.0 million, as adjusted primarily by (i) an RMB187.1 million increase in trade and other receivables, primarily as a result of an increase in the sales of our products; (ii) an RMB59.5 million increase in inventories; and (iii) RMB25.5 million in interest income, and partially offset primarily by (i) RMB40.9 million in interest expense, (ii) an RMB9.4 million increase in trade and other payables, which was primarily a result of higher receipts in advance; and (iii) RMB11.2 million in depreciation and amortization.

Cash Flows from Investing Activities

For the six months ended 30 June 2013, our net cash used in investing activities amounted to RMB164.3 million, reflecting cash outflows primarily due to (i) RMB86.0 million in the placement of certain time deposits with original maturity over three months; (ii) RMB77.7 million as the payment for the purchase of other financial assets, which primarily consisted of standard financial products with non-fixed interest rates, offered by licensed banks in the PRC, and (iii) RMB2.3 million as the payment for the purchase of fixed assets, which primarily consisted of machinery and equipment, partially offset by RMB1.7 million in interest received from banks.

For the year ended 31 December 2012, our net cash used in investing activities amounted to RMB56.0 million, reflecting cash outflows primarily due to (i) RMB101.0 million in the placement of certain time deposits with original maturity over three months; and (ii) RMB38.3 million as the cash component of the payment for the purchase of certain fixed assets, which primarily consisted of office buildings and manufacturing facilities, partially offset by (i) RMB4.8 million of proceeds from the disposal of a subsidiary, net of cash disposed of; (ii) RMB23.7 million in time deposits reaching their original stated maturity; (iii) RMB10.3 million in interest received from certain related parties of our Group; and (iv) RMB37.4 million of net repayment from related parties.

For the year ended 31 December 2011, our net cash generated from investing activities amounted to RMB47.8 million, reflecting cash inflows primarily due to (i) net repayment of RMB62.9 million from certain related parties of our Group; and (ii) RMB26.2 million of interest received from certain related parties of our Group. Such cash inflows were partially offset by (i) RMB23.7 million in the placement of certain time deposits with original maturity over three months; and (ii) RMB16.8 million in the payment for the construction and purchase of certain fixed assets, which primarily consisted of plant and machines.

For the year ended 31 December 2010, our net cash generated from investing activities amounted to RMB468.0 million, reflecting cash inflows primarily due to (i) net repayment of RMB492.5 million from certain related parties of our Group; and (ii) RMB24.5 million in interest received from certain related parties of our Group. Such cash inflows were partially offset by RMB50.1 million in the payment for the construction or purchase of certain fixed assets, which primarily consisted of land, plant and manufacturing facilities.

Cash Flows from Financing Activities

For the six months ended 30 June 2013, our net cash used in financing activities amounted to RMB84.2 million, primarily reflecting cash outflows due to (i) dividend paid of RMB173.5 million; (ii) repayment of bank loans and other borrowings of RMB158.0 million; and (iii) RMB10.6 million as interest paid for bank loans, partially offset by cash inflow of RMB257.9 million in proceeds from bank loans and other borrowings.

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For the year ended 31 December 2012, our net cash used in financing activities amounted to RMB477.7 million, primarily reflecting cash outflow due to (i) RMB1,030.4 million as repayment of bank loans and other borrowings; (ii) dividends paid of RMB64.9 million; and (iii) RMB42.1 million as interest paid for bank loan, partially offset by cash inflow of RMB608.6 million in proceeds from bank loans and RMB41.5 million capital contribution from the equity owners of our Group.

For the year ended 31 December 2011, our net cash generated from financing activities amounted to RMB49.9 million, primarily reflecting cash inflow of (i) RMB1,052.4 million in proceeds from bank loans and other borrowings; and (ii) RMB37.0 million in proceeds from bank advances for discounted commercial acceptance bills. Such cash inflows were partially offset by (i) repayment of bank loans of RMB893.0 million, (ii) dividend paid of RMB111.1 million; and (iii) RMB48.5 million as interest paid for bank loans.

For the year ended 31 December 2010, our net cash used in financing activities amounted to RMB317.0 million, primarily reflecting cash outflow of (i) RMB1,189.6 million repayment in bank loans; and (ii) RMB40.9 million as interest paid for bank loans. Such cash outflows were partially offset by proceeds from bank loans of RMB919.0 million.

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NET CURRENT ASSETS

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

	As at 31 December			As at 30 June	As at 31 October
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets					
Inventories	243,889	177,073	238,525	213,943	237,553
Trade and other receivables	756,938	683,202	428,422	580,511	790,038
Other financial assets .	–	2,000	–	77,700	13,800
Pledged bank deposits	16,560	23,368	2,213	22,678	18,652
Fixed deposits at banks with maturity over three months . .	–	23,700	101,000	187,000	190,358
Cash and cash equivalents	112,986	474,663	362,784	229,515	125,643
Total current assets . . .	1,130,373	1,384,006	1,132,944	1,311,347	1,376,044
Current liabilities					
Bank loans and other borrowings	586,192	780,697	359,000	458,936	428,828
Trade and other payables	283,285	183,464	242,245	307,880	236,224
Current tax payable . .	8,699	36,279	58,783	51,864	68,676
Total current liabilities . .	878,176	1,000,440	660,028	818,680	733,728
Net current assets . . .	252,197	383,566	472,916	492,667	642,316

Our net current asset increased from RMB492.7 million as at 30 June 2013 to RMB642.3 million as at 31 October 2013. This increase was primarily due to an increase in current assets and a decrease in current liabilities. The increase in current assets mainly included an increase of RMB209.5 million of trade and other receivables due to increased sales of our products, partially offset by a decrease of RMB103.9 million in cash and cash equivalents. The decrease in current liabilities mainly included a decrease of RMB71.7 million of trade and other payables and a decrease of RMB30.1 million in bank loans and other borrowings.

Our net current assets increased by RMB19.8 million, or 4.2%, from RMB472.9 million as at 31 December 2012 to RMB492.7 million as at 30 June 2013. This increase was primarily due to an increase in current assets, partially offset by an increase in current liabilities. The increase in current assets mainly included an increase of RMB152.1 million of trade and other receivables due to the increased sales of our products partially offset by a decrease of RMB133.3 million in cash and cash equivalents. The increase in current liabilities mainly included an increase of RMB99.9 million on bank loans and other borrowings and an increase of RMB65.6 million in trade and other payables.

Our net current assets increased by RMB89.4 million, or 23.3%, from RMB383.6 million as at 31 December 2011 to RMB472.9 million as at 31 December 2012. This increase was primarily due to a decrease in current liabilities, partially offset by a decrease in current assets. The decrease in current liabilities mainly included a decrease of RMB421.7 million

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in bank loans and other borrowings, partially offset by an increase of RMB58.8 million in trade and other payables. The decrease in current assets mainly included a decrease of RMB254.8 million in trade and other receivables and a decrease of RMB111.9 million in cash and cash equivalents, partially offset by an increase of RMB61.5 million in inventories and RMB77.3 million in fixed deposits at banks with maturity over three months.

Our net current assets increased by RMB131.4 million, or 52.1%, from RMB252.2 million as at 31 December 2010 to RMB383.6 million as at 31 December 2011. This increase was primarily due to an increase in current assets, partially offset by an increase in current liabilities. The increase in current assets mainly included an increase of RMB361.7 million in cash and cash equivalents, partially offset by a decrease of RMB73.7 million in trade and other receivable and a decrease of RMB66.8 million in inventories. The increase in current liabilities included an increase of RMB194.5 million in bank loans and other borrowings, partially offset by a decrease of RMB99.8 million in trade and other payables.

INVENTORY ANALYSIS

During the Track Record Period, inventories were one of the key components of our current assets. Our business depends on our ability to effectively manage and control our inventory levels. The value of our inventories accounted for approximately 21.6%, 12.8%, 21.1% and 16.3% of our total current assets as at 31 December 2010, 2011, 2012 and 30 June 2013, respectively.

The following table sets forth the summary of our balance of inventories as at the respective reporting dates:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Inventory Type				
Raw materials	135,097	112,042	128,353	104,597
Work in progress	10,419	16,464	25,048	26,395
Finished goods	98,373	48,567	85,124	82,951
Total	243,889	177,073	238,525	213,943

Our inventories decreased approximately 10.3% from RMB238.5 million as at 31 December 2012 to RMB213.9 million as at 30 June 2013 primarily due to an improvement in our production efficiency and inventory utilisation. Our inventories increased approximately 34.7% from RMB177.1 million as at 31 December 2011 to RMB238.5 million as at 31 December 2012 primarily because we increased inventory reserves in connection with the expansion of our proprietary outlet network. Our inventories decreased by approximately 27.4% from RMB243.9 million as at 31 December 2010 to RMB177.1 million as at 31 December 2011, primarily because we adopted a vertically integrated business model which expedited our production and delivery cycle and improved our inventory management and average turnover days. Finished goods as at 31 December 2010 were particularly high to accommodate increased sales order expected in January 2011, as Chinese Lunar Year occurred relatively early that year.

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The following table sets forth the aging analysis of our inventories as at the respective dates indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	158,032	129,835	199,318	147,539
More than 3 months but within 6 months	28,583	8,604	21,259	42,754
More than 6 months but within 1 year	32,238	14,313	14,816	21,252
More than 1 year	25,036	24,321	3,132	2,398
	<u>243,889</u>	<u>177,073</u>	<u>238,525</u>	<u>213,943</u>

As at 31 October 2013 approximately RMB138.0 million, or 64.5%, of our inventories as at 30 June 2013 had been sold or utilised.

The following table sets forth our average inventory turnover days for the periods indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
Average inventory turnover days ⁽¹⁾	99.4	67.4	59.3	61.8

Note:

- (1) Average inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant year/period divided by cost of sales of the relevant year/period and multiplied by 365 days for the years ended 31 December 2010, 2011 and 2012, or 182 days for the six months ended 30 June 2013.

Average inventory turnover days decreased from 99.4 days as at 31 December 2010 to 67.4 days as at 31 December 2011, and further decreased to 59.3 days as at 31 December 2012 primarily because (i) we enhanced our inventory management measures by effectively utilising a vertically integrated business model, which allowed us to share information among our various departments in the production process and speed up the delivery cycle of our products; and (ii) the portion of our products manufactured by third party subcontractors increased during the Track Record Period. It subsequently increased to 61.8 days as at 30 June 2013 primarily because by gradually taking over the operation of 208 retail outlets that were originally operated by the Related Distributor since July 2012, we increased the number of our proprietary retail outlets and therefore, our average inventory turnover days increased because it generally takes more time to sell products directly to our end customers than to our distributors.

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TRADE AND OTHER RECEIVABLES

The following table sets forth a breakdown of our trade and other receivables at the dates indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– third parties	158,689	313,127	352,272	452,482
– related parties	65,188	59,720	–	–
Bills receivables				
– third parties	220	1,570	17,600	52,649
– related parties	–	37,000	–	–
Less: Provision for impairment	(3,285)	(9,207)	–	–
Trade and bills receivables	220,812	402,210	369,872	505,131
Prepayments to suppliers				
– third parties	7,610	36,170	11,237	31,926
– related parties	–	33	–	–
Amount due from immediate and ultimate holding company	55,536	2,182	–	–
Amounts due from related parties	434,013	228,655	–	–
VAT deductible	17,506	–	12,240	12,008
Other prepayments	12,526	8,600	14,638	23,789
Other receivables	9,009	5,426	20,435	6,451
Less: Provision for impairment	(74)	(74)	–	–
Derivative financial instruments	–	–	–	1,206
Trade and other receivables	756,938	683,202	428,422	580,511

Trade and Bills Receivables

Our trade and bills receivables primarily relate to receivables for goods sold to our distributors. Our distributors are invoiced within one month after the products are delivered. We recognise turnover from the sales of goods to our distributors when they take possession of our goods. We generally grant credit limits and payment periods of no longer than 90 days to our distributors based on their annual purchase commitment as stipulated in their respective distributorship agreements, their credit history and historical sales performance. See the section headed “Business – Sales and Distribution – Branded Product Sales – Distribution – Payment terms and credit policy” in this prospectus. Our trade and bills receivables increased from RMB369.9 million as at 31 December 2012 to RMB505.1 million as at 30 June 2013 primarily because we generally make more efforts to collect payment from our customers at close to year end. Our trade and bills receivables decreased from RMB402.2 million as at 31 December 2011 to RMB369.9 million as at 31 December 2012 primarily due to our strengthened efforts in collecting payments from our distributors. Our trade and bills receivables increased from RMB220.8 million as at 31 December 2010 to RMB402.2 million as at 31 December 2011 primarily because sales increased significantly and we granted higher credit limit to more distributors.

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We require our distributors to comply with our credit policy and our finance and sales departments carry out regular reconciliations of outstanding balances. Our management team monitors our receivable balances on an ongoing basis and will make appropriate assessment on a timely basis as to whether or not a bad debt provision will need to be made. The following table sets forth the aging analysis of our trade and bills receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	199,171	293,967	355,082	462,890
More than 3 months but within 6 months	19,041	74,838	10,456	34,697
More than 6 months but within 1 year	1,911	28,695	4,254	6,921
More than 1 year	689	4,710	80	623
	220,812	402,210	369,872	505,131

At 31 December 2010, 2011, 2012 and 30 June 2013, we have assessed the recoverability of the receivables past due and established a provision for impairment based on experience. The provision for impairment is recorded using a provision account unless we are satisfied that recovery is remote, in which case the unrecovered loss is written against trade receivables and the provision for impairment directly. At 31 December 2012, we have reassessed the credit quality of the trade and bills receivables by using the internal assessment, taking into account the repayment history and financial background of our distributors.

As at the Latest Practicable Date, approximately RMB367.7 million, or 72.8%, of our trade and bills receivables as at 30 June 2013 was settled.

The following table sets forth the average turnover days of our trade and bills receivables for the periods indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
Average turnover days of our trade and bills receivables ⁽¹⁾	52.6	60.8	64.0	64.2

Note:

- (1) Average turnover days of our trade and bills receivables equal to the average of the opening and closing balances of trade and bills receivables for the relevant year/period divided by turnover (plus value-added tax) of the relevant year/period and multiplied by 365 days for the years ended 31 December 2010, 2011 and 2012, or 182 days for the six months ended 30 June 2013.

The average turnover days of our trade and bills receivables increased from 52.6 days as at 31 December 2010 to 60.8 days as at 31 December 2011, and further increased to 64.0 days as at 31 December 2012. It remained relatively stable at 64.2 days as at 30 June 2013. Such increase was primarily because our distributors needed more working capital to expand their business. However, most of our trade and bills receivables were within three months during the Track Record Period, which was within our standard credit period.

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Prepayments to third-party suppliers

Prepayments to third-party suppliers amounted to RMB7.6 million, RMB36.2 million, RMB11.2 million and RMB31.9 million as at 31 December 2010, 2011, 2012 and 30 June 2013, respectively. Prepayment to third-party suppliers increased from 31 December 2012 to 30 June 2013, primarily due to our efforts to secure more stable supply of raw materials from our suppliers by increasing the amount of our prepayment. Prepayments to third-party suppliers decreased from 31 December 2011 to 31 December 2012, primarily due to the decrease in the number of suppliers that required prepayments in 2012 as a result of our efforts to reduce prepayment conditions. The increase in prepayments to third-party suppliers from 2010 to 2011 was due mainly to our menswear suppliers' request to receive certain prepayments for purchases of the raw materials.

Amounts due from the immediate and ultimate holding company

Amounts due from the immediate and ultimate holding company represent the net proceeds received from the export sales and import purchases by the immediate and ultimate holding company on behalf of our Company. We engaged our immediate and ultimate holding company during the Track Record Period to facilitate the receipts of the proceeds from our overseas OEM/ODM customers and payments to our overseas suppliers primarily because prior to establishing our overseas subsidiary, Hong Kong Fuguiniao, to handle this function, among others, our immediate and ultimate holding company maintained overseas bank accounts which we relied on to facilitate our transactions with our overseas customers and suppliers in an efficient manner. Under this arrangement, when the immediate and ultimate holding company receives the proceeds from our overseas OEM/ODM customers, it would remit such amounts to us. With respect to payments to our overseas suppliers, our immediate and ultimate holding company would make payments on our behalf upon receiving our instructions to do so, and we will subsequently pay such amounts to our immediate and ultimate holding company. The relevant transactions under this arrangement with our immediate and ultimate holding company have been terminated in June 2012 and will not continue after the Listing. Such amounts were unsecured, interest free and repayable on demand and had been settled as of 31 December 2012. These amounts decreased from RMB55.6 million as at 31 December 2010 to RMB2.2 million as at 31 December 2011 predominantly due to the instant remittance by the ultimate holding company to us of the net proceeds.

Amounts due from related parties

Amounts due from related parties represent the advances to related parties. Amounts due from related parties decreased from RMB228.7 million as at 31 December 2011 to RMB Nil as at 31 December 2012 because we called the loans to a related party of our Group as a result of our efforts to reduce borrowings to related parties. These amounts were unsecured and repayable on demand and have been settled as at 31 December 2012. This amount decreased significantly from RMB434.0 million as at 31 December 2010 to RMB228.7 million as at 31 December 2011 as a result of our efforts to reduce borrowings to related parties to our Group.

Other prepayments

Other prepayments mainly include prepayments to advertising companies, rental payments and deposits for projects. Such prepayments increased from RMB14.6 million as at 31 December 2012 to RMB23.8 million as at 30 June 2013 primarily due to the prepayment for display racks, lighting fixtures and marketing materials. It increased from RMB8.6 million as at 31 December 2011 to RMB14.6 million as at 31 December 2012 due to an increase in prepayments for advertising services. Other prepayments decreased from RMB12.5 million as at 31 December 2010 to RMB8.6 million as at 31 December 2011 primarily because project deposits converted into fixed assets at year end.

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Other receivables

Other receivables primarily include government grants, deposits and guarantees for bidding projects and individual borrowings. It decreased from RMB20.4 million as at 31 December 2012 to RMB6.5 million as at 30 June 2013, primarily due to the receipt of funds from governmental grants. It increased from RMB5.4 million as at 31 December 2011 to RMB20.4 million as at 31 December 2012, primarily due to the fact that we have not received payment of approximately RMB17.3 million in government grants, which we received in the beginning of 2013. Others decreased from RMB8.9 million as at 31 December 2010 to RMB5.4 million as at 31 December 2011, primarily because of the repayment of individual borrowings by our employees. The following table sets out the amount, nature and criteria/conditions of the government grants we received during the Track Record Period.

Name of the Government Grant	Amount (RMB)	Nature of the Grant	Criteria/Conditions of the Grant
For the year ended 31 December 2010			
Subsidy from Quanzhou Municipal Finance Bureau for the Technological Transformation and Upgrading	150,000	Government subsidy for technological improvement	(i) Grant recipient must be on a list of subsidized companies attached to “Quan Cai Zhi Biao (2009) No. 1192” (《泉州 指標(2009) 1192號》); and (ii) Exact amount of the subsidy would be determined by the local government based on certain predetermined conditions in a particular year.
Subsidy for Export Credit Insurance	176,771	Subsidy for export credit insurance from the local government	The local government grants subsidy based on certain rate of the export credit insurance fee actually paid by the recipient.
Incentive Fees for Export Enterprises	952,900	Incentive fees for export enterprises from the local government	Incentive fees granted to productive enterprises, of which the amount of annual export for the year 2009 was over US\$5.0 million. By exporting every US\$1.00 worth of products, the potential grant recipient would receive a subsidy in the amount of RMB0.025.

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Name of the Government Grant	Amount (RMB)	Nature of the Grant	Criteria/Conditions of the Grant
Incentive Fees to Encourage Export	106,323	Incentive fees to encourage export from the local government	<p>(i) The amount of annual export for the year 2009 was over US\$5.0 million and the potential grant recipient was a self-managing export trade company;</p> <p>(ii) The potential recipient was not penalized for violating relevant PRC laws and regulations during the most recent three years; and</p> <p>(iii) The potential recipient submitted relevant data as requested by the local government.</p>
Others ⁽¹⁾	280,212		
Subtotal	1,666,206		

For the year ended 31 December 2011

Award as National New and High Technology Enterprise	200,000	Award granted for being a national new and high technology enterprise	Acknowledged and determined as a National New and High Technology Enterprise in 2010 by the relevant government authority.
Export Interest Subsidy Reward and Subsidy for Export Credit Insurance	1,372,300	Export interest subsidy reward and subsidy for export credit insurance from the local government	The local government grants the subsidy based on the Interim Measures for the Administration of Import Discount Interest Funds of Fujian Province (《福建省外貿進口貼息資金管理暫行辦法》) and the Interim Measure for the Export Credit Insurance Subsidy (《出口企業出口信用保險保費補貼試行辦法》).

Note:

(1) Includes such government grants the amount of each of which is not larger than RMB100,000.

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Name of the Government Grant	Amount (RMB)	Nature of the Grant	Criteria/Conditions of the Grant
			<p>Criteria for export interest subsidy:</p> <p>(i) Principal: The relevant principal for calculating the interest subsidy equals the monetary value of the exported products and technology recorded by the PRC Customs, multiplied by the exchange rate of the underlying currency against Renminbi; and</p> <p>(ii) Interest rate: The rate of the export interest subsidy is determined by the local government based on certain conditions, but not higher than the 50% of RMB benchmark interest rate for loans in the most recent year.</p> <p>Criteria for subsidy for export credit insurance:</p> <p>The local government grants the subsidy based on certain rate of the export credit insurance fee actually paid by the recipient.</p>
Others ⁽²⁾	184,916		
Subtotal	1,757,216		

Note:

(2) Includes such government grants the amount of each of which is not larger than RMB100,000.

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Name of the Government Grant	Amount (RMB)	Nature of the Grant	Criteria/Conditions of the Grant
For the year ended 31 December 2012			
Subsidy for Export Credit Insurance	581,586	Subsidy for export credit insurance from the local government	<p>Criteria for subsidy for export credit insurance:</p> <p>The subsidy shall equal to 50% of the export credit insurance fee actually paid by the recipient.</p>
Incentive Fees for Export Enterprises (including funds for expansion into the global market and supportive funds for the public service platforms for exports of Fujian Province ⁽³⁾)	900,000	Incentive fees for export enterprises from the local government	<p>Criteria for incentive fees for export enterprises:</p> <p>(i) The recipient should be a foreign trade enterprise with a minimum import and export volume (as recorded by the relevant PRC Customs) of US\$45.0 million in 2011; and</p> <p>(ii) The recipient should be a foreign trade enterprise with a minimum export volume of US\$15.0 million in 2011 and owns brands recognised as well- known brands or products recognised as top branded products by the PRC provincial or ministerial authorities, or products exempted from export inspection.</p>

Note:

(3) The Company's footwear design center was recognised by relevant authorities as a public service platform.

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Name of the Government Grant	Amount (RMB)	Nature of the Grant	Criteria/Conditions of the Grant
Incentive Fees for IPO	17,303,067	<p>Incentive fees granted to an enterprise seeking initial public offering by the local government</p> <p>Incentive fees for conducting an initial public offering in Hong Kong from the local government</p>	<p>(i) The local government will grant RMB0.3 million to the potential recipient, if it is a PRC joint stock limited company and entered into relevant service providing agreements with qualified professional intermediaries in connection with an IPO;</p> <p>(ii) From the year the recipient was first reported to the Fujian Securities Regulatory Bureau with its intention to seek IPO, to the year it becomes successfully listed as a public company (but no longer than three years), the local government will grant to the recipient a portion of the corporate income tax it had paid as incentive fees; and</p> <p>(iii) The local government will grant RMB0.5 million after the IPO application is submitted to the relevant securities regulatory authority.</p>
Others ⁽⁴⁾	60,000		
Subtotal	18,844,653		

Note:

(4) Includes such government grants the amount of each of which is not larger than RMB80,000.

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TRADE AND OTHER PAYABLES

The following table sets forth a breakdown of our trade and other payables at the dates indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– third parties	87,231	76,001	175,287	109,037
– related parties	787	–	–	–
Bills payables	21,000	13,200	–	112,690
Trade and bills payables . .	109,018	89,201	175,287	221,727
Receipts in advance				
– third parties	24,589	39,587	19,063	7,025
– related parties	238	12,315	–	–
Amount due to the immediate and ultimate holding company	130,392	–	–	300
Dividend payable	–	–	–	17,200
VAT and other taxes payable	969	9,413	9,571	27,689
Other payable and accruals .	18,079	32,948	37,453	33,939
Derivative financial instruments	–	–	871	–
Other payables	174,267	94,263	66,958	86,153
Trade and other payables .	283,285	183,464	242,245	307,880

Trade and Bills Payables

Our trade and bills payables primarily relate to the purchase of raw materials and finished goods. We generally have credit periods of no longer than 45 days. See “Business – Raw Materials and Suppliers” in this prospectus. Our trade and bills payable increased from RMB175.3 million as at 31 December 2012 to RMB221.7 million as at 30 June 2013 primarily due to our effective usage of the credit period offered by our suppliers and also their increased willingness to accept bills. Our trade and bills payables increased from RMB89.2 million as at 31 December 2011 to RMB175.3 million as at 31 December 2012 primarily due to our effective usage of the credit periods offered by our suppliers. Our trade and bills payables decreased from RMB109.0 million as at 31 December 2010 to RMB89.2 million as at 31 December 2011 primarily because we made an early payment to our suppliers as part of goodwill to maintain relationships in early 2011.

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The following table sets forth the aging analysis of our trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	98,782	86,036	169,815	165,602
More than 3 months but within 6 months	6,739	1,155	4,032	53,945
More than 6 months but within 1 year	2,977	1,167	1,430	1,379
More than 1 year	520	843	10	801
	109,018	89,201	175,287	221,727

As at the Latest Practicable Date, approximately RMB217.1 million, or 97.9%, of our trade and bills payables as at 30 June 2013 was settled.

The following table sets forth the average turnover days of our trade and bills payables for the periods indicated:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
Average turnover days of our trade and bills payables ⁽¹⁾	53.6	31.7	37.7	54.2

Note:

- (1) Average turnover days of our trade and bills payables equal to the average of the opening and closing balances of trade and bills payables for the relevant year/period divided by cost of sales of the relevant year/period and multiplied by 365 days for the years ended 31 December 2010, 2011 and 2012, or 182 days for the six months ended 30 June 2013.

The average turnover days of our trade and bills payables decreased from 53.6 days as at 31 December 2010 to 31.7 days as at 31 December 2011, primarily as a result of an early payment to some of our suppliers as part of goodwill to maintain relationships. The average turnover days of our trade and bills payables increased from 31.7 days as at 31 December 2011 to 37.7 days as at 31 December 2012, primarily as a result of us taking advantage of the credit periods offered by our suppliers in 2012. The average turnover days of our trade and bills payables increased from 37.7 days as at 31 December 2012 to 54.2 days as at 30 June 2013, primarily due to our effective usage of the credit period offered by our suppliers and their increased willingness to accept bills.

Other Payables

Other payables mainly comprise (i) receipts in advance; (ii) amount due to the immediate and ultimate holding company; and (iii) other payables and accruals.

Receipts in advance represent deposits from third parties and related parties. As at 31 December 2010, amounts due to the immediate and ultimate holding company represented dividend payable to the ultimate holding company. Other payables and accruals primarily include salaries, utilities, interests, tax expenses and transportation cost.

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Other payables increased from RMB67.0 million as at 31 December 2012 to RMB86.2 million as at 30 June 2013 as a result of the increase of dividend payable and the value-added and other taxes payable as a result of the increased sales of our footwear products. Other payables decreased from RMB94.3 million as at 31 December 2011 to RMB67.0 million as at 31 December 2012 as a result of a decrease in receipts in advance. It decreased from RMB174.3 million as at 31 December 2010 to RMB94.3 million mainly because amount due to the immediate and ultimate holding company was paid off, partially offset by an increase in receipts in advance.

INDEBTEDNESS

Bank loans and other borrowings

Our bank loans primarily consist of short-term working capital loans. As at 31 December 2010, 2011 and 2012, all of our bank loans and other borrowings were repayable within one year. Our outstanding bank loans and other borrowings as at 31 December 2010, 2011, 2012 and 30 June 2013 and 31 October 2013, being the latest practicable date for determining our indebtedness, were as follows:

	As at 31 December			As at 30 June	As at 31 October
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans					
– Secured	60,192 ⁽¹⁾	122,697 ⁽¹⁾	–	–	–
– Guaranteed	476,000	618,000	359,000	458,936	428,828
– Unsecured	50,000	–	–	–	–
	586,192	740,697	359,000	458,936	428,828
Other borrowings					
– Guaranteed	–	40,000	–	–	–
	586,192	780,697	359,000	458,936	428,828

Note:

- (1) As at 31 December 2010 and 2011, bank loans, in the amount of RMB50.0 million and RMB106.0 million respectively, were guaranteed by Shishi Fuguiniao and secured by trade and bills receivables of our Group and our Company.

The above bank loans and other borrowings are mainly denominated in RMB. The bank loans and other borrowings bear fixed interest rates ranging from 2.88% to 5.81% per annum and variable interest rates ranging from 5.31% to 5.81% per annum for the year ended 31 December 2010, fixed interest rates ranging from 3.38% to 9.60% per annum and variable interest rates ranging from 6.31% to 7.54% per annum for the year ended 31 December 2011, fixed interest rates ranging from 5.40% to 7.45% per annum for the year ended 31 December 2012 and fixed interest rates ranging from 2.41% to 6.30% per annum for the six months ended 30 June 2013. Because of short maturity, the carrying amounts of current bank loans and other borrowings approximate their fair values.

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As at 31 October 2013, being the latest practicable date for purpose of indebtedness statement in this prospectus, we had RMB1,460.0 million of credit facilities made available to us, of which RMB503.2 million were utilised, including RMB74.4 million utilised for issuing bank acceptance bills. Our Directors confirm that our Group did not experience any difficulty in obtaining credit facilities, withdrawal of facilities, default in payment of bank borrowings or breach of covenants, or cancellation of customer order or customer default during the Track Record Period and up to the Latest Practicable Date.

As at 31 October 2013, being the latest practicable date for purpose of indebtedness statement in this prospectus, RMB228.8 million of our bank loans were guaranteed by the shareholders of the ultimate holding company and RMB200.0 million were jointly guaranteed by shareholders of the ultimate holding company and Shishi Fuguiniao. Such guarantees will be fully released upon Listing.

As at 30 June 2013, RMB258.9 million of our bank loans were guaranteed by the shareholders of the ultimate holding company and RMB200.0 million of which were jointly guaranteed by the shareholders of the ultimate holding company and Shishi Fuguiniao.

As at 31 December 2012, RMB201.0 million of our bank loans were guaranteed by the shareholders of the ultimate holding company and RMB158.0 million were jointly guaranteed by the shareholders of the ultimate holding company and Shishi Fuguiniao.

As at 31 December 2011, RMB122.7 million of our bank loans were secured by trade and bills receivables and pledged bank deposits, including RMB106.0 million, which was secured by our trade and bills receivables and guaranteed by Shishi Fuguiniao. In addition, RMB618.0 million of our bank loans were guaranteed, of which RMB103.0 million were guaranteed by Shishi Fuguiniao, RMB208.0 million were guaranteed by the shareholders of the ultimate holding company and RMB307.0 million were jointly guaranteed by the shareholders of the ultimate holding company and Shishi Fuguiniao. Lastly, RMB40.0 million of other borrowings were jointly guaranteed by shareholders of the ultimate holding company and Shishi Fuguiniao as at 31 December 2011.

As at 31 December 2010, we had bank loans of RMB60.2 million, which were secured by our trade and bills receivables and pledged bank deposits, including RMB50.0 million which was secured by our trade and bills receivables and guaranteed by Shishi Fuguiniao. We also had bank loans of RMB476.0 million which were guaranteed, including RMB253.0 million were guaranteed by the shareholders of the ultimate holding company and RMB223.0 million were jointly guaranteed by the shareholders of the ultimate holding company and Shishi Fuguiniao.

Except as described above, we did not have, as at 31 October 2013, any outstanding mortgages, charges, debentures, other debt capital (issued or agreed to be issued), liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness since 31 October 2013.

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COMMITMENTS

Operating Lease Commitments

During the Track Record Period, we leased a number of properties under operating leases, including our proprietary retail outlets, office buildings and warehouses. The leases are typically negotiated and fixed for terms ranging from one to ten years, at the end of which period all terms will be renegotiated. The table sets forth our outstanding commitments in respect of non-cancellable operating leases as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	5,989	5,476	7,458	7,797	7,574
After 1 year but within 5 years	18,075	13,680	19,369	23,812	20,307
After 5 years	—	—	13,981	12,467	9,717
	24,064	19,156	40,808	44,076	37,598

The substantial increase in our operating lease for the year ended 31 December 2012 from the previous years was primarily because of certain office buildings and increased number of proprietary retail outlets we leased in 2012.

CONTINGENT LIABILITIES

As at 31 December 2011, we provided a corporate guarantee of RMB200.0 million to a related company, Fujian Fuguiniao Mining Group Company Limited (福建省富貴鳥礦業集團有限公司), for its banking facilities. We did not recognise any deferred income in respect of the guarantee issued as its fair value was not reliably estimable and the guaranteed amount was insignificant. During the Track Record Period, no claims have been made against us under the guarantee. The guarantee was released on 30 June 2012.

As at 31 October 2013, we did not have any material contingent liabilities or guarantees. We are not currently involved in any material litigation or claims of material importance, nor are we aware of any pending or threatened against any member of our Group.

Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since 31 October 2013.

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LISTING EXPENSES

We incurred total listing expenses of approximately RMB9.4 million in relation to the preparation of the Global Offering and Listing during the Track Record Period, and expect to incur an additional RMB57.1 million of expenses until the completion of the Global Offering and Listing. Approximately 59% of the listing expenses, or approximately RMB39.2 million in relation to the issue of the Shares are expected to be capitalised. Our Directors have emphasized that such cost is a current estimate for reference only. The final amount to be recognised to the consolidated statement of comprehensive income of our Group or to be capitalised is subject to adjustment based on the actual amount of expenses incurred/to be incurred by our Group upon the completion of the Global Offering and Listing. We do not believe such listing expenses will have a material impact on our business and results of operations for the year ending 31 December 2013.

CAPITAL EXPENDITURES

Our capital expenditures have principally consisted of expenditures on property, plant and equipment and interest in leasehold land held for own use under operating leases. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013, we incurred capital expenditures in the amounts of RMB49.3 million, RMB23.4 million, RMB138.1 million and RMB2.1 million, respectively. The following table sets out our historical capital expenditures during the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	15,973	23,362	80,471	2,079
Interest in leasehold land held for own use under operating leases	33,297	–	57,644	–
Total	49,270	23,362	138,115	2,079

The capital expenditure incurred for the six months ended 30 June 2013, primarily related to the purchase of machinery, equipment and motor vehicles. The capital expenditure incurred in the year ended 31 December 2012 primarily related to the purchase of a manufacturing facility and land, office furniture and equipment. The capital expenditures incurred in the year ended 31 December 2011 primarily related to construction in progress of our industrial park at Hongshan and a dormitory in one of our manufacturing facilities that commenced construction in 2010, and purchase of production equipment. The capital expenditures incurred in the year ended 31 December 2010 primarily related to construction in progress of our industrial park at Hongshan and a dormitory in one of our manufacturing facilities, purchase of production equipment and expenses incurred in connection with the operation of our proprietary outlets.

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As part of our future growth strategy, we currently expect to incur an additional RMB21.0 million in capital expenditures in the year ending 31 December 2013 for the establishment of additional proprietary outlets, the expansion of our design, research and development center and installment of information systems, including, among others, ERP system and DRP system.

We anticipate that our planned capital expenditures will be financed by cash generated from our operations, net proceeds from the Global Offering and bank loans. The estimated amounts of expenditures set out above may vary from the actual amounts of expenditures for a variety of reasons, including changes in market conditions, competition, and other factors.

Our current plan with respect to future capital expenditures is subject to change based on the evolution of our business plan, including potential acquisitions, the progress of our capital projects, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures. Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, economic, political and other conditions in the PRC, PRC government policies relating to our industry and relevant rules and regulations in the PRC and Hong Kong regarding debt and equity financing. Other than as required by law, we do not undertake any obligation to publish updates of our capital expenditure plans. See “Forward-Looking Statements” in this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or contingencies.

WORKING CAPITAL

Our Directors are of the opinion that, after taking into consideration of the financial resources presently available to us, including the cash generated from operations and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present working capital requirements and for the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth certain additional financial ratios of our Group and our management's discussion on material fluctuations as of and for the dates indicated.

	As at/for the Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
Return on equity ⁽¹⁾	24.9%	40.9%	40.4%	25.8%
Return on total assets ⁽²⁾ . . .	8.8%	15.7%	22.1%	12.8%
Current ratio ⁽³⁾	128.7%	138.3%	171.7%	160.2%
Quick ratio ⁽⁴⁾	100.9%	120.6%	135.5%	134.0%
Gearing ratio ⁽⁵⁾	122.9%	125.9%	44.8%	56.6%
Debt to equity ratio ⁽⁶⁾	99.2%	49.3%	N/A	28.3%
Interest coverage ⁽⁷⁾	4.9	7.5	11.3	27.5

Notes:

- (1) Return on equity ratio is calculated by dividing profit and total comprehensive income for the year/period by total equity at the end of the year/period and multiplying by 100%.
- (2) Return on total assets ratio is calculated by dividing profit and total comprehensive income for the year/period by total assets at the end of the year/period and multiplying by 100%.
- (3) Current ratio is calculated by dividing total current assets at the end of the year/period by total current liabilities at the end of the year/period and multiplying by 100%.
- (4) Quick ratio is calculated by dividing the difference between total current assets and inventories at the end of the year/period by total current liabilities at the end of the year/period and multiplying by 100%.
- (5) Gearing ratio is calculated by dividing the total bank loans and other borrowings at the end of the year/period by total equity at the end of the year/period and multiplying by 100%.
- (6) Debt to equity ratio is calculated by dividing total bank loans and other borrowings net of cash and cash equivalents at the end of the year/period by total equity at the end of the year/period and multiplying by 100%.
- (7) Interest coverage is calculated by dividing the profit before finance costs and income tax expenses for the year/period by total finance costs for the year/period.

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Analysis of Selected Key Financial Ratios

Return on Equity

Our return on equity ratio was 25.8% for the six months ended 30 June 2013. On an annualised basis, our return on equity ratio was 51.6%⁽¹⁾. This was primarily due to a greater increase in our profit relative to a slight increase in our total equity.

Our return on equity ratio remained relatively stable for the years ended 31 December 2011 and 2012.

Our return on equity ratio increased from 24.9% for the year ended 31 December 2010 to 40.9% for the year ended 31 December 2011, primarily as a result of an increase in our profit as a result of the commencement and quick expansion of our menswear business in 2011.

Note:

- (1) Annualised return on equity ratio is calculated by multiplying the return on equity ratio for the six months ended 30 June 2013 by two.

Return on Total Assets

Our return on total assets ratio was 12.8% for the six months ended 30 June 2013. On an annualised basis, our return on assets ratio was 25.6%⁽¹⁾, which was comparable to that for the year ended 31 December 2012.

Our return on total assets ratio increased from 15.7% for the year ended 31 December 2011 to 22.1% for the year ended 31 December 2012, primarily as a result of increased net profits and a decrease in our total assets due to effective management of our working capital.

Note:

- (1) Annualised return on total assets ratio is calculated by multiplying the return on total assets ratio for the six months ended 30 June 2013 by two.

Our return on total assets ratio increased from 8.8% for the year ended 31 December 2010 to 15.7% for the year ended 31 December 2011, primarily as a result of an increase in our profit due to the commencement and expansion of our menswear business, partially offset by slight increase in our total assets.

Current Ratio

Our current ratio decreased from 171.7% as at 31 December 2012 to 160.2% as at 30 June 2013, primarily due to an increase in bank loans and other borrowings and trade and other receivables.

Our current ratio increased from 138.3% as of 31 December 2011 to 171.7% as of 31 December 2012, primarily as a result of substantial decrease in current liabilities due to payments of bank loans and other borrowings.

Our current ratio increased from 128.7% as of 31 December 2010 to 138.3% as of 31 December 2011, primarily as a result of an increase in current assets in the form of cash deposited with commercial banks.

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Quick Ratio

Our quick ratio remained relatively stable with a slight decrease from 135.5% as at 31 December 2012 to 134.0% as at 30 June 2013.

Our quick ratio increased from 120.6% as of 31 December 2011 to 135.5% as of 31 December 2012, primarily as a result of payments of bank loans and other borrowings.

Our quick ratio increased from 100.9% as of 31 December 2010 to 120.6% as of 31 December 2011, primarily as a result of an increase in current assets in the form of cash deposited with commercial banks.

Gearing Ratio

Our gearing ratio increased from 44.8% as at 31 December 2012 to 56.5% as at 30 June 2013, primarily as a result of an increase in bank loans and other borrowings.

Our gearing ratio decreased from 125.9% as of 31 December 2011 to 44.8% as of 31 December 2012, primarily as a result of an increase in our total equity and a decrease in our bank borrowings.

Our gearing ratio increased from 122.9% as of 31 December 2010 to 125.9% as of 31 December 2011, primarily as a result of an increase in bank loans and other borrowings.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks in the ordinary course of our business, including credit, liquidity, interest rate and currency risks. We manage our exposure to these and other market risks through our financial management policies and practices described below.

Credit Risks

Our credit risk is primarily attributable to trade and other receivables, deposits with banks and other financial assets. We have a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis.

Trade and Other Receivables

Credit evaluations are performed on customers requiring credit terms. These evaluations focus on the customer's past history of making payments and current abilities to pay and take into account information specific to the customer as well as to the economic environment. Normally, we do not obtain collateral from customers.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As at 31 December 2010, 2011, 2012 and 30 June 2013, 29.5%, 24.0%, nil and 5.3% of our total trade and bills receivables were due from our largest customer, respectively, and 51.5%, 37.2%, 14.3% and 14.3% of our total trade and bills receivables were due from our five largest customers, respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. Except for the financial guarantees given by us, we do not provide any other guarantees which would expose us to credit risk.

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In addition, as at 31 December 2010, 2011, 2012 and 30 June 2013, we had discounted or endorsed certain bank acceptance bills with recourse amounted to RMB4.5 million, RMB8.3 million, RMB209.1 million and RMB44.9 million, respectively, and the respective receivables were de-recognised upon discounting or endorsement. Our maximum loss in case of default is the face value of the discounted bills. As we only accept bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal.

Deposits with Banks and Forward Contracts

We mitigate our exposure to credit risk by placing deposits with financial institutions with established credit rating and by entering into forward contracts with counterparties of sound credit standing and with whom we have a signed netting agreement. Given their high credit standing, management does not expect any counterparty to fail to meet its obligations.

Other financial assets

We invested in certain unlisted wealth management products issued by banks in the PRC. The management considers the counterparties are banks with high credit rating and the default risk is remote.

Liquidity Risk

We are responsible for the cash management of all companies comprising our Group, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. Our policy is to regularly monitor liquidity requirements and its compliance with lending covenants, 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 terms.

All of our non-interest bearing financial liabilities are carried at amount not materially different from our contractual undiscounted cash flow as all the financial liabilities are with maturities within one year or repayable on demand at the end of the respective reporting period.

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The following tables show the remaining contractual maturities at the end of the reporting period of our 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 end of the each of the reporting period) and the earliest date we can be required to pay:

	Total contractual undiscounted cash flow/within one year or on demand	Carrying amount on consolidated statement of financial position
	RMB'000	RMB'000
At 31 December 2010		
Bank loans and other borrowings	603,595	586,192
Trade and bills payables	109,018	109,018
Amount due to the immediate and ultimate holding company	130,392	130,392
Other payables and accruals	18,079	18,079
	<u>861,084</u>	<u>843,681</u>
At 31 December 2011		
Bank loans and other borrowings	799,960	780,697
Trade and bills payables	89,201	89,201
Other payables and accruals	32,948	32,948
	<u>922,109</u>	<u>902,846</u>
At 31 December 2012		
Bank loans and other borrowings	368,697	359,000
Trade and bills payables	175,287	175,287
Other payables and accruals	37,453	37,453
Derivative financial instruments	871	871
	<u>582,308</u>	<u>572,611</u>
As at 30 June 2013		
Bank loans and other borrowings	472,715	458,936
Trade and bills payables	221,727	221,727
Dividend payable	17,200	17,200
Other payables and accruals	34,239	34,239
	<u>745,881</u>	<u>732,102</u>

Interest Rate Risk

Our interest rate risk arises primarily from bank loans and other borrowings. Borrowings that are at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. Our interest rate profiles as monitored by management is set out below.

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Interest Rate Profile

The following table details the interest rate profile of our borrowings at the balance sheet dates:

	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
		RMB'000		RMB'000		RMB'000		RMB'000
Fixed rate instruments:								
Bank loans	2.88%- 5.81%	476,192	3.38%- 9.60%	528,697	5.40%- 7.54%	359,000	2.41%- 6.30%	458,936
Variable rate instruments:								
Bank loans and other borrowings .	5.31%- 5.81%	110,000	6.31%- 7.54%	252,000	–	–	–	–
Total instruments . .		<u>586,192</u>		<u>780,697</u>		<u>359,000</u>		<u>458,936</u>

Sensitivity Analysis

At 31 December 2010, 2011 and 2012 and 30 June 2013, it is estimated that a general increase/decrease of 100 basis points in borrowing interest rates, with all other variables held constant, would have decreased/increased our profit after tax and retained profits by approximately RMB0.8 million, RMB1.9 million, RMB Nil and RMB Nil, respectively. Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the impact on our profit for the year and retained profits that would arise assuming that there is an annualised impact on interest expense by a change in interest rates. The analysis has been performed on the same basis throughout the Track Record Period.

Currency Risk

We are exposed to currency risk primarily through sales and purchases which give rise to receivables and borrowings and cash balances that are denominated in a foreign currency other than RMB. The currencies giving rise to this risk are primarily U.S. dollars and Euros.

We ensure that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate, or entering into forward contracts to hedge against currency risk where necessary to address short-term imbalances. The forward contracts were entered in anticipation of forecasted export sale transactions.

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Exposure to Currency Risk

The following table details our major exposure as at the end of the reporting period 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 the reporting period.

	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	US\$	Euro	US\$	Euro	US\$	Euro	US\$	Euro
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents . . .	26,003	1	13,306	4,130	3,005	6,528	2,235	13,474
Trade and other receivables . . .	72,603	–	28,318	–	24,460	3,885	–	1,263
Bank loans and other borrowings . . .	(10,192)	–	(16,697)	–	–	–	(18,536)	–
Trade and other payables	(1,770)	–	(363)	–	(444)	(351)	(1,626)	(109)
Notional amount of forward contracts	(228,313)	–	(315,045)	(16,325)	–	(58,223)	–	(52,348)
Net exposure to currency risk . .	(141,669)	1	(290,481)	(12,195)	27,021	(48,161)	(17,927)	(37,720)

Sensitivity Analysis

The following table indicates the instantaneous change in our profit after tax (and equity) that would arise if the foreign exchange rates to which we have significant exposure as at years ended 31 December 2010, 2011 and 2012 had changed, assuming all other risk variables remained constant.

	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax and equity	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax and equity	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax and equity	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax and equity
		RMB'000		RMB'000		RMB'000		RMB'000
US\$.	1	(1,063)	1	(2,179)	1	203	1	(134)
	(1)	1,063	(1)	2,179	(1)	(203)	(1)	134
Euro	1	–	1	(91)	1	(359)	1	(274)
	(1)	–	(1)	91	(1)	359	(1)	274

FINANCIAL INFORMATION

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of our entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi 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 us which expose us to foreign currency risk as at the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013, including inter-company payables and receivables within us which are denominated in a currency other than the functional currencies of the lender or the borrower.

PROFIT FORECAST

For the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2013, our unaudited pro forma forecast earnings per Share for the year ending 31 December 2013 have been prepared on the basis of the notes set out below. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial results for the year ending 31 December 2013 or for any future period.

Forecast consolidated profit attributable to equity shareholders of our Company
for the year ending 31 December 2013⁽¹⁾not less than RMB402.8 million
(approximately HK\$509.0 million)

Unaudited pro forma forecast earnings per Share
for the year ending 31 December 2013⁽²⁾⁽³⁾not less than RMB0.76
(approximately HK\$0.95)

Notes:

- (1) The bases and assumptions on which the above profit forecast has been prepared are summarised in Part A of Appendix III to this prospectus. The Directors have prepared the forecast consolidated profit attributable to equity shareholders of our Company for the year ending 31 December 2013 based on the audited consolidated results for the six months ended 30 June 2013, the unaudited consolidated results based on management accounts of our Group for the three months ended 30 September 2013 and a forecast of the consolidated results of our Group for the remaining three months ending 31 December 2013.
- (2) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated results for the year ending 31 December 2013 attributable to equity shareholders of our Company, assuming that a total of 533,340,000 Shares had been in issued during the entire year. The calculation of the forecast earnings per Share does not take into account any shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The forecast consolidated profit attributable to equity shareholders of our Company and the unaudited pro forma forecast earnings per Share are converted into HK\$ at the exchange rate of RMB0.7914 to HK\$1.00, the PBOC rate on the exchange rate prevailing on 3 December 2013 set by PBOC for foreign exchange transactions.

FINANCIAL INFORMATION

DIVIDEND POLICY

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits' as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits may not be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The past dividend distribution record may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

In 2010, 2011 and 2012, we declared dividends in the amount of RMB130.4 million, RMB130.7 million and RMB152.4 million, respectively. On 28 June 2013, we declared dividends in the amount of RMB200.0 million, of which, RMB17.2 million have not yet been paid as at the Latest Practicable Date. All declared and unpaid dividends will be settled prior to the Listing Date through our internal funds. Subject to the factors described above, our Board of Directors intends to recommend at the relevant shareholders meetings an annual dividend of no less than 20% of our profit for the year available for distribution to the shareholders in the foreseeable future.

DISTRIBUTABLE RESERVES

As at 30 June 2013, we had distributable reserves of RMB221.4 million, which is available for distribution to our equity shareholders. Pursuant to a resolution passed by the Board of Directors on 28 June 2013, a final dividend amounting to RMB200.0 million was declared. The dividend has been recognised as liability as at 30 June 2013.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and is to show the effect of the Global Offering as if it had taken place on 30 June 2013 assuming the Over-allotment Option is not exercised. The statement has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial position as of 30 June 2013 or at any future dates following the Global Offering.

	Consolidated net tangible assets attributable to equity shareholders of our Company as of 30 June 2013 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on the Offer					
Price of HK\$7.17 per Offer Share . . .	810,542	695,830	1,506,372	2.82	3.57
Based on the Offer					
Price of HK\$10.04 per Offer Share . .	810,542	987,301	1,797,843	3.37	4.26

Notes:

- (1) The consolidated net tangible assets of our Group attributable to the equity shareholders of our Company as of 30 June 2013, was derived from the consolidated financial information as set out in the accountants' report in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK\$7.17 or HK\$10.04 per Offer Share, being the low-end and high-end of the indicative Offer Price range, respectively, after deducting the underwriting fees and other related expenses, and does not any H Shares that may be issued upon exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the translation of RMB into HK\$ was made at the rate of RMB0.7914 to HK\$1.00, the exchange rate prevailing on 3 December 2013 set by PBOC for foreign exchange transactions.
- (3) The unaudited pro forma net tangible assets per Share is calculated based on 533,334,400 Shares, being the number of shares in issue immediately following the completion of the Global Offering without taking into account any H Shares that may be issued upon exercise of the Over-allotment Option.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that except as otherwise disclosed in the prospectus, as of the date of this prospectus, there has been no material adverse change in our financial, trading or operational position since 30 June 2013 and no event has occurred since 30 June 2013 that would materially and adversely affect the information shown in the "Appendix I – Accountants' Report" of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business – Our Business Strategies” in this prospectus for further details on our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK\$1,064.0 million, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$8.61 per H Share, being the mid-point of the proposed Offer Price range of HK\$7.17 to HK\$10.04 per H Share. Before we obtain necessary approvals from the relevant PRC regulatory authorities, we are not permitted to convert the net proceeds from the Global Offering into Renminbi. The net proceeds from the Global Offering received by us in Hong Kong dollars will be accounted for in our financial statements in Renminbi at the exchange rate published by the PBOC in effect at the time the net proceeds are received. We intend to use such net proceeds as follows:

- Approximately HK\$638.4 million, or 60%, towards maintaining and expansion of our existing sales channels, including:
 - HK\$372.4 million, or 35%, towards opening new proprietary retail outlets in China (either by purchasing them outright or leasing the premises), including flagship stores, footwear image stores, menswear image stores, integrated stores and standard retail outlets, primarily consisting of the purchase price for the buildings where certain such retail outlets are located or lease payments for the premises of the remaining retail outlets, as the case may be, and the related staff costs and selling and distribution expenses;
 - HK\$106.4 million, or 10%, towards assisting our distributors in opening new retail outlets in China by (i) purchasing and installing display racks, lighting fixtures and marketing materials (including posters and billboards) for our distributors, the cost of which will continue to be recorded on our consolidated statement of comprehensive income as a selling and distribution expense, (ii) reviewing operating plans for the retail outlets and providing on-site operational instructions and support, (iii) renovating/decorating new retail outlets and (iv) providing training to their management and sales employees; and
 - HK\$159.6 million, or 15%, towards maintaining and promoting our existing sales channel by providing financial assistance, including marketing activities and promotional events, to the retail outlets.
- Approximately HK\$266.0 million, or 25%, towards overseas expansion, including establishment and development of overseas sales channels, procurement of global raw materials, potential strategic acquisitions and international market promotion and advertising;

FUTURE PLANS AND USE OF PROCEEDS

- Approximately HK\$106.4 million, or 10%, towards purchase of relevant electronic equipment and software to improve and enhance our information system, including the implementation of various applications, including, among others, ERP system and DRP system; and
- The remaining HK\$53.2 million, or 5%, for working capital and other general corporate purposes.

If the Offer Price is set at HK\$10.04 per H Share (being the high end of the indicative Offer Price range), and assuming that the H Share Over-allotment Option is not exercised, the net proceeds of the Global Offering will increase by approximately HK\$183.5 million. In such circumstances, we currently intend to use such additional proceeds to increase the net proceeds applied for the same purposes as set out above on a pro rata basis. If the Offer Price is set at HK\$7.17 per H Share (being the low end of the indicative Offer Price range), and assuming that the H Share Over-allotment Option is not exercised, the net proceeds of the Global Offering will decrease by approximately HK\$184.8 million. In such circumstances, we currently intend to reduce the net proceeds applied for the same purposes as set out above on a pro rata basis.

In the event that the Over-allotment Option is exercised in full, and assuming an Offer Price of HK\$8.61 per Offer Share (being the mid-point of the proposed Offer Price range of HK\$7.17 to HK\$10.04 per Offer Share), our Company will receive additional net proceeds of approximately HK\$165.7 million. Under such circumstances, our Directors intend to apply the additional net proceeds to the above uses in the proportions stated above.

As at the Latest Practicable Date, we did not have any finalized and definitive understanding, commitment or agreement, and we were not engaged in any related negotiations and had not entered into any letter of intent, legally binding or otherwise, with respect to any acquisitions.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or with financial institutions in Hong Kong.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Lead Managers

CITIC Securities Corporate Finance (HK) Limited
Macquarie Capital Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 13,334,400 Hong Kong Offer Shares and the International Offering of initially 120,005,600 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” in this prospectus as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Listing Committee granting listing of, and permission to deal in, the H Shares to be offered as mentioned in this prospectus, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to the Company to 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 shall develop, occur, exist or come into effect:
 - (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, any member of the European Union, Japan, Singapore or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions or elsewhere; or
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
 - (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union (or any member thereof), Japan or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
 - (v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
 - (vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

UNDERWRITING

- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any actions, suits, proceedings and claims of any third party being threatened or instigated against any member of the Group; or
- (ix) any change or development or event involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of the Company vacating his or her office; or
- (xii) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiii) a contravention by any member of the Group of the Listing Rules or applicable Laws; or
- (xiv) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the H Shares (including H Shares that may be issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xvi) the issue or requirement to issue by the Company of any supplement or amendment to the Hong Kong Prospectus (or to any other documents used in connection with the contemplated offer and sale of the H Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (xviii) that any person (other than the Sole Sponsor) has withdrawn or is subject to withdraw its consent to being named in any of this prospectus or the Application Forms or to the issue of any of this prospectus or the Application Forms; or

UNDERWRITING

- (xix) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Bookrunners (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Joint Bookrunners:
 - (i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
 - (iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any material liability of any of the Company or the Controlling Shareholders (as indemnifying parties) pursuant to the Hong Kong Underwriting Agreement; or

UNDERWRITING

- (v) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole; or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties given by the Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement; or
- (vii) that approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) that the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

By Us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our securities first commence dealing on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or any of the circumstances provided under Rule 10.08 of the Listing Rules.

By Our Controlling Shareholders

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

- (a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the H Shares commence on the Stock Exchange, 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 it is shown by this prospectus to be the beneficial owner; or

UNDERWRITING

- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above 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, it would cease to be a controlling shareholder of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to the Company that within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the H Shares commence on the Stock Exchange, it will:

- (i) when it pledges or charges any Shares beneficially owned by it in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company 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 of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by the Controlling Shareholders.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

By US

We have undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Joint Bookrunners (on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules (and unless consent of any relevant PRC authority (if so required) has been obtained), except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other equity securities of the Company or any shares or other equity securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or

UNDERWRITING

that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable or any interest in any of the foregoing), or deposit any H Shares or other equity securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; 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 H Shares or other equity securities of the Company or any shares or other equity securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable or any interest in any of the foregoing); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of H Shares or other equity securities of the Company or shares or other equity securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such H Shares or other shares or equity securities will be completed within the First Six-month Period). During the period of six months commencing on the date on which the First Six-month Period expires (the **“Second Six-Month Period”**), the Company shall not enter into any of the transactions specified in paragraph (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of the Company. In the event the Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. The Controlling Shareholders undertake to each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the above undertakings.

For the avoidance of doubt, the requirements specified in the undertakings above will not impose any restrictions on the Company in transferring, disposing or acquiring, or agreeing to transfer, dispose or acquire, directly or indirectly, any shares of any subsidiary to or from, as applicable, other members of the Group.

UNDERWRITING

By Our Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of the Company, the Sole Global Coordinator, Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save as pursuant to the Stock Borrowing Agreement, without the prior written consent of the Joint Bookrunners (on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules (and unless consent of any relevant PRC Authority (if so required) has been obtained):

- (a) it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any H Shares or other securities of the Company with a depository in connection with the issue of depository receipts, or (ii) 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 H Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any such other securities, as applicable or any interest in any of the foregoing), or (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a)(i) or a(ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a)(i), (a)(ii) or (a)(iii) above, in each case, whether any of the transactions specified in sub-paragraph (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of H Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such H Shares or other securities will be completed within the First Six-Month Period);
- (b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraph (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of the Company; and

until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in sub-paragraph (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Indemnity

The Company and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for 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 our Company or the Controlling Shareholders of the Hong Kong Underwriting Agreement.

UNDERWRITING

Hong Kong Underwriters' Interests in Our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters would severally agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Undertakings Pursuant to the International Underwriting Agreement

By Us and our Controlling Shareholders

It is expected that pursuant to the International Underwriting Agreement, our Company and the Controlling Shareholders will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement, as described in the section headed “– Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Undertakings Pursuant to the Hong Kong Underwriting Agreement” above.

Indemnity

Our Company and the Controlling Shareholders, among others, will agree to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 20,000,800 H Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any.

UNDERWRITING

Commissions and Expenses

The Underwriters will receive a commission of 2.25% of the aggregate Offer Price of all the Offer Shares (including H Shares to be issued pursuant to the Over-allotment Option, if any). The Joint Bookrunners may receive an additional incentive fee of 0.5% of the Offer Price of all the Offer Shares.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the Joint Bookrunners and the relevant International Underwriters.

The aggregate commissions and the maximum incentive fee (if paid), together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK\$31.6 million (assuming an Offer Price of HK\$8.61 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus) and the Over-allotment Option is not exercised at all), are payable and borne by our Company.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

UNDERWRITING

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of 13,334,400 H Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the section headed “– The Hong Kong Public Offering” below; and
- (b) the International Offering of an aggregate of 120,005,600 H Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act.

Eligible investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

We are initially offering 13,334,400 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of the enlarged share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional 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.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “– Conditions of the Global Offering” below.

Allocation

Allocation of our H Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 6,667,200 and 6,667,200, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 6,667,200 Hong Kong Offer Shares (being 50% of the 13,334,400 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 13,334,400 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 40,002,400 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

STRUCTURE OF THE GLOBAL OFFERING

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 53,336,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 66,670,400 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Bookrunners deem appropriate. In addition, the Joint Bookrunners may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Bookrunners deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$10.04 per Offer Share plus brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed “– Pricing and Allocation” below, is less than the maximum price of HK\$10.04 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an initial offering of 120,005,600 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional 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. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “– Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the listing of our H Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our shareholders as a whole.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 20,000,800 H Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 20,000,800 H Shares from Fuguiniao Holdco pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Listing Rule 10.07(3).

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Saturday, 14 December 2013 and in any event no later than Wednesday, 18 December 2013.

The Offer Price will not be more than HK\$10.04 per Offer Share and is expected to be not less than HK\$7.17 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Bookrunners (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we 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 for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (www.fuguiniao.com) and the website of the Stock Exchange (www.hkexnews.hk) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus. If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

STRUCTURE OF THE GLOBAL OFFERING

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Thursday, 19 December 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (www.fuguiniao.com) and the website of the Stock Exchange (www.hkexnews.hk).

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, 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. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;
- (ii) in connection with any action described in paragraph (i) above:
 - (A) (1) over-allocate the Offer Shares; or
 - (2) sell or agree to sell the Offer Shares so as to establish a short position in them,
 - (B) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (A) above;

STRUCTURE OF THE GLOBAL OFFERING

- (C) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or
- (D) offer or attempt to do anything as described in paragraph (ii)(A)(2); (ii)(B) or (ii)(C) above.

The Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager or any person acting for it and selling in the open market, which may have an adverse impact on the market price of the Offer Shares.

No stabilizing action can be taken to support the price of Offer Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our H Shares, and therefore the price of our H Shares, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it, may not necessarily result in the market price of our H Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in acquiring, the Offer Shares.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 20,000,800 additional H 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 a combination of these means.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before Wednesday, 18 December 2013, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares – Dispatch/Collection of H Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

STRUCTURE OF THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, H Shares to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply 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 date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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 enabling the Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 20 December 2013, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 20 December 2013.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 10 December 2013 until 12:00 noon on Friday, 13 December 2013 from:

- (i) the following addresses of the Hong Kong Underwriters:

CITIC Securities Corporate Finance (HK) Limited

26/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Macquarie Capital Securities Limited

Level 18, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) the following branches of Bank of China (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
New Territories	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 10 December 2013 until 12:00 noon on Friday, 13 December 2013 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – Fuguiniao Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, 10 December 2013 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 11 December 2013 – 9:00 a.m. to 5:00 p.m.
- Thursday, 12 December 2013 – 9:00 a.m. to 5:00 p.m.
- Friday, 13 December 2013 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 13 December 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our H Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the H Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH WHITE FORM eIPO

General

Individuals who meet the criteria in “Who can Apply” section, may apply through the **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 10 December 2013 until 11:30 a.m. on Friday, 13 December 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 13 December 2013 or such later time under “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

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 through the **White Form eIPO** 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** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-served and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each **White Form eIPO** application submitted via the website to support the funding of “Source of DongJiang – Hong Kong Forest” project initiated by Friends of Earth (HK).

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "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 Center
2/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

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.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your 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 only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us 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 received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our H Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), 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 it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), 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 time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) 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 that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders of the Company, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agrees with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):
 - (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agrees with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders; and
- authorizes the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

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 have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 400 Hong Kong Offer Shares. Instructions for more than 400 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, 10 December 2013 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, 11 December 2013 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, 12 December 2013 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, 13 December 2013 – 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 10 December 2013 until 12:00 noon on Friday, 13 December 2013 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 13 December 2013, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

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 for which you have given such instructions and/or for 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.

Section 40 of the Companies Ordinance

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 instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the H Share Registrar, the receiving banker, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 13 December 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the 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 joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO**, 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:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

HOW TO APPLY FOR HONG KONG OFFER SHARES

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the 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).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** in respect of a minimum of 400 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 400 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering – Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 13 December 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 13 December 2013 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, in this prospectus an announcement will be made in such event.

HOW TO APPLY FOR HONG KONG OFFER SHARES

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 19 December 2013 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at www.fuguiniao.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.fuguiniao.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 19 December 2013;
- from the designated results of allocations website at www.iporeresults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 19 December 2013 to 12:00 midnight on Wednesday, 25 December 2013;
- by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 19 December 2013 to Sunday, 22 December 2013;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 19 December 2013 to Saturday, 21 December 2013 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

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 the press 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.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application 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 date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** are not completed in accordance with the instructions, terms and conditions on the designated website;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$10.04 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 19 December 2013.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or around Thursday, 19 December 2013. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Friday, 20 December, 2013 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from the 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 Thursday, 19 December 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 19 December 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions for your refund cheque(s) as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 19 December 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 19 December 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- ***If you apply through a designated CCASS participant (other than a CCASS investor participant)***

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- ***If you apply as a CCASS investor participant***

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 19 December 2013 or any other date as 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 and CCASS Internet System.

(iii) If you apply through the White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) 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 Thursday, 19 December 2013, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 19 December 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 19 December 2013, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 19 December 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 19 December 2013 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 19 December 2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 19 December 2013.

HOW TO APPLY FOR HONG KONG OFFER SHARES

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H 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 H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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 enabling the H 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

10 December 2013

The Directors
Fuguiniao Co., Ltd.

CITIC Securities Corporate Finance (HK) Limited

Dear Sirs

Introduction

We set out below our report on the financial information relating to Fuguiniao Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2010, 2011 and 2012 and 30 June 2013 and the consolidated statements of profit or loss and other 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 2010, 2011 and 2012 and the six months ended 30 June 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 10 December 2013 (the "Prospectus").

The Company was incorporated in the People's Republic of China (the "PRC") on 20 November 1995 as a limited liability company under the Company Law of the PRC (中華人民共和國公司法). Pursuant to a reorganisation completed on 29 June 2012 (the "Reorganisation") as detailed in the section headed "History and Corporate Structure" in the Prospectus, the Company was converted into a joint stock limited liability company which is the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below. The registered office of the Company is Fuguiniao Industrial Park, East Section, Baqi Road, Shishi City, Fujian Province, the PRC.

All the companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 29 of Section B. The statutory financial statements of these companies were prepared in accordance with either China Accounting Standards for Business Enterprises ("CASBE") or the relevant accounting rules and regulations applicable to entities established in Hong Kong.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International

Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 were audited by us under separate terms of engagement with the Company 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 for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited 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").

Directors' responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by 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.

Reporting accountants' responsibility

Our responsibility is to form an opinion on the Financial Information based on our procedures performed 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 30 June 2013.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2010, 2011 and 2012 and 30 June 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

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 statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2012, 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 CONSOLIDATED FINANCIAL INFORMATION

1 Consolidated statements of profit or loss and other comprehensive income

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Turnover	2	1,070,090	1,651,560	1,932,129	903,119	1,084,406
Cost of sales		(787,145)	(1,139,505)	(1,279,833)	(619,440)	(666,208)
Gross profit		282,945	512,055	652,296	283,679	418,198
Other revenue	3	27,300	29,274	34,601	14,903	7,160
Other net (loss)/income	3	(6,783)	(5,936)	1,883	634	1,390
Selling and distribution expenses		(62,353)	(95,691)	(127,451)	(45,655)	(73,770)
Administrative and other operating expenses		(39,283)	(63,450)	(87,273)	(33,317)	(60,815)
Profit from operations		201,826	376,252	474,056	220,244	292,163
Finance costs	4(a)	(40,850)	(50,269)	(42,117)	(26,880)	(10,633)
Profit before taxation	4	160,976	325,983	431,939	193,364	281,530
Income tax expense	5	(42,235)	(72,129)	(108,352)	(48,291)	(72,530)
Profit and total comprehensive income for the year/period		118,741	253,854	323,587	145,073	209,000
Basic earnings per share (RMB)	11	N/A	N/A	N/A	N/A	0.52

The accompanying notes form part of the Financial Information.

2 Consolidated statements of financial position of the Group

	Section B Note	As at 31 December			As at 30 June 2013
		2010 RMB'000	2011 RMB'000	2012 RMB'000	RMB'000
Non-current assets					
Fixed assets	12				
– Property, plant and equipment		158,702	170,743	234,184	225,993
– Interests in leasehold land held for own use under operating leases . . .		64,876	64,170	86,405	85,349
Deferred tax assets. . .	14(b)	1,024	1,800	8,037	6,835
		<u>224,602</u>	<u>236,713</u>	<u>328,626</u>	<u>318,177</u>
Current assets					
Inventories	15	243,889	177,073	238,525	213,943
Trade and other receivables.	16	756,938	683,202	428,422	580,511
Other financial assets .	17	–	2,000	–	77,700
Pledged bank deposits	18	16,560	23,368	2,213	22,678
Fixed deposits at banks with maturity over three months . .	19	–	23,700	101,000	187,000
Cash and cash equivalents.	19	112,986	474,663	362,784	229,515
		<u>1,130,373</u>	<u>1,384,006</u>	<u>1,132,944</u>	<u>1,311,347</u>
Current liabilities					
Bank loans and other borrowings	20	586,192	780,697	359,000	458,936
Trade and other payables	21	283,285	183,464	242,245	307,880
Current tax payable. . .	14(a)	8,699	36,279	58,783	51,864
		<u>878,176</u>	<u>1,000,440</u>	<u>660,028</u>	<u>818,680</u>
Net current assets. . .		<u>252,197</u>	<u>383,566</u>	<u>472,916</u>	<u>492,667</u>
Total assets less current liabilities . .		<u>476,799</u>	<u>620,279</u>	<u>801,542</u>	<u>810,844</u>
Non-current liability					
Deferred tax liabilities .	14(b)	–	–	–	302
NET ASSETS		<u>476,799</u>	<u>620,279</u>	<u>801,542</u>	<u>810,542</u>

	Section B Note	As at 31 December			As at 30 June 2013
		2010	2011	2012	
		RMB'000	RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES	23				
Capital		273,339	293,633	400,000	400,000
Reserves		203,460	326,646	401,542	410,542
TOTAL EQUITY		<u>476,799</u>	<u>620,279</u>	<u>801,542</u>	<u>810,542</u>

The accompanying notes form part of the Financial Information.

3 Statements of financial position of the Company

	Section B Note	As at 31 December			As at 30 June 2013
		2010	2011	2012	
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Fixed assets	12				
– Property, plant and equipment		158,702	170,700	226,451	218,306
– Interests in leasehold land held for own use under operating leases . . .		31,579	30,873	86,405	85,349
Investments in subsidiaries	13	5,000	5,000	50,529	100,529
Deferred tax assets . . .	14(b)	1,017	1,269	1,317	–
		<u>196,298</u>	<u>207,842</u>	<u>364,702</u>	<u>404,184</u>
Current assets					
Inventories	15	243,889	168,736	189,039	167,267
Trade and other receivables	16	785,057	638,266	489,240	654,239
Other financial assets .	17	–	2,000	–	77,700
Pledged bank deposits	18	16,560	23,368	2,213	22,678
Fixed deposits at banks with maturity over three months . .	19	–	23,700	101,000	187,000
Cash and cash equivalents	19	107,965	467,406	335,468	183,254
		<u>1,153,471</u>	<u>1,323,476</u>	<u>1,116,960</u>	<u>1,292,138</u>
Current liabilities					
Bank loans and other borrowings	20	586,192	780,697	359,000	458,936
Trade and other payables	21	283,285	182,065	247,897	356,838
Current tax payable . .	14(a)	8,699	32,011	57,567	51,583
		<u>878,176</u>	<u>994,773</u>	<u>664,464</u>	<u>867,357</u>
Net current assets . .		<u>275,295</u>	<u>328,703</u>	<u>452,496</u>	<u>424,781</u>
Total assets less current liabilities . .		<u>471,593</u>	<u>536,545</u>	<u>817,198</u>	<u>828,965</u>
Non-current liability					
Deferred tax liabilities .	14(b)	–	–	–	302
NET ASSETS		<u>471,593</u>	<u>536,545</u>	<u>817,198</u>	<u>828,663</u>
CAPITAL AND RESERVES	23				
Capital		268,079	268,079	400,000	400,000
Reserves		203,514	268,466	417,198	428,663
TOTAL EQUITY		<u>471,593</u>	<u>536,545</u>	<u>817,198</u>	<u>828,663</u>

The accompanying notes form part of the Financial Information.

4 Consolidated statements of changes in equity

	Section B Note	Capital RMB'000 Note 23(a)	Capital reserve RMB'000 Note 23(c)	Statutory reserve RMB'000 Note 23(d)	Retained profits RMB'000	Total RMB'000
As at 1 January 2010 . . .	23(a)(i)	268,079	976	29,315	184,820	483,190
Changes in equity for 2010:						
Profit and total comprehensive income for the year		–	–	–	118,741	118,741
Appropriation to statutory reserve	23(d)	–	–	8,576	(8,576)	–
Business combination under common control	23(a)(ii)	5,260	–	–	–	5,260
Dividends declared	10	–	–	–	(130,392)	(130,392)
As at 31 December 2010 and 1 January 2011	23(a)(ii)	273,339	976	37,891	164,593	476,799
Changes in equity for 2011:						
Profit and total comprehensive income for the year		–	–	–	253,854	253,854
Appropriation to statutory reserve	23(d)	–	–	25,257	(25,257)	–
Capital injection	23(a)(iii)	20,294	–	–	–	20,294
Dividends declared	10	–	–	–	(130,668)	(130,668)
As at 31 December 2011 and 1 January 2012	23(a)(iii)	293,633	976	63,148	262,522	620,279
Changes in equity for 2012:						
Profit and total comprehensive income for the year		–	–	–	323,587	323,587
Appropriation to statutory reserve	23(d)	–	–	25,874	(25,874)	–
Capital injection	23(a)(iv)	19,330	22,163	–	–	41,493
Business combination under common control	23(a)(v)	(25,554)	(5,826)	–	–	(31,380)
Conversion to joint stock limited liability company	23(a)(vi)	112,591	125,822	(43,281)	(195,132)	–
Dividends declared	10	–	–	–	(152,437)	(152,437)
As at 31 December 2012		400,000	143,135	45,741	212,666	801,542

APPENDIX I
ACCOUNTANTS' REPORT

	Section B Note	Capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
		Note 23(a)	Note 23(c)	Note 23(d)		
As at 1 January 2013 . .		400,000	143,135	45,741	212,666	801,542
Changes in equity for the six months ended 30 June 2013:						
Profit and total comprehensive income for the period.		–	–	–	209,000	209,000
Dividends declared	10	–	–	–	(200,000)	(200,000)
As at 30 June 2013. . .		<u>400,000</u>	<u>143,135</u>	<u>45,741</u>	<u>221,666</u>	<u>810,542</u>
(Unaudited)						
As at 1 January 2012 . .	23(a)(iii)	293,633	976	63,148	262,522	620,279
Changes in equity for the six months ended 30 June 2012:						
Profit and total comprehensive income for the period.		–	–	–	145,073	145,073
Capital injection	23(a)(iv)	19,330	22,163	–	–	41,493
Business combination under common control .	23(a)(v)	(25,554)	(5,826)	–	–	(31,380)
Conversion to joint stock limited liability company	23(a)(vi)	112,591	125,822	(43,281)	(195,132)	–
Dividends declared	10	–	–	–	(152,437)	(152,437)
As at 30 June 2012. . .		<u>400,000</u>	<u>143,135</u>	<u>19,867</u>	<u>60,026</u>	<u>623,028</u>

The accompanying notes form part of the Financial Information.

5 Consolidated cash flow statements

		Year ended 31 December			Six months ended 30 June	
	Section B Note	2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Operating activities						
Cash (used						
in)/generated from						
operations	19(b)	(51,869)	310,599	514,133	257,182	193,770
Income tax paid.		(51,754)	(45,325)	(92,085)	(53,007)	(77,945)
Net cash (used						
in)/generated from						
operating activities .		(103,623)	265,274	422,048	204,175	115,825
Investing activities						
Payment for the						
purchase of fixed						
assets		(50,070)	(16,827)	(38,322)	(24,031)	(2,270)
Net (placement						
of)/proceeds from						
other financial						
assets	19(e)	–	(2,000)	2,000	2,000	(77,700)
Proceeds from disposal						
of a subsidiary, net						
of cash disposed of .	19(d)	–	–	4,782	4,782	–
Net repayment						
from/(payment to)						
related parties		492,500	62,858	37,381	(69,702)	–
Placement of time						
deposits with original						
maturity over three						
months.		–	(23,700)	(101,000)	(18,969)	(86,000)
Maturity of time						
deposits with original						
maturity over three						
months.		–	–	23,700	23,700	–
Interest received from						
related parties		24,519	26,228	10,294	9,633	–
Interest received from						
banks		1,027	1,257	5,148	4,460	1,680
Net cash generated						
from/(used in)						
investing activities .		467,976	47,816	(56,017)	(68,127)	(164,290)

Section B Note	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Financing activities					
Proceeds from bank loans and other borrowings . . .	918,985	1,052,361	608,624	571,622	257,930
Capital contributions from the equity owners of the Group	–	20,294	41,493	41,493	–
Payment of considerations in respect of business combination under common control	–	–	(7,851)	(7,851)	–
Repayment of bank loans and other borrowings . .	(1,189,620)	(892,997)	(1,030,382)	(735,534)	(158,000)
Proceeds from discounting of commercial acceptance bills receivable.	–	37,000	–	–	–
Increase in pledged deposits for foreign currency loans	(10,260)	(17,474)	–	–	–
Decrease in pledged deposits for foreign currency loans	4,705	10,260	17,474	17,474	–
Dividend paid	–	(111,060)	(64,937)	(64,937)	(173,520)
Interest paid	(40,850)	(48,533)	(42,141)	(27,806)	(10,622)
Net cash (used in)/generated from financing activities . . .	(317,040)	49,851	(477,720)	(205,539)	(84,212)
Net increase/(decrease) in cash and cash equivalents	47,313	362,941	(111,689)	(69,491)	(132,677)
Cash and cash equivalents at 1 January.	19(a)	65,676	112,986	474,663	362,784
Effect of foreign exchange rate changes	(3)	(1,264)	(190)	52	(592)
Cash and cash equivalents at 31 December/30 June . . .	19(a)	112,986	474,663	362,784	405,224
		229,515			

Major non-cash transactions during the Relevant Periods are set out in note 19(c) to the Financial Information.

The accompanying notes form part of the Financial Information.

B NOTES TO CONSOLIDATED FINANCIAL INFORMATION**1 Significant accounting policies****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards (IFRSs), which collective term includes International Accounting Standards and related Interpretations, promulgated by the International Accounting Standards Board (IASB). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued certain new and revised IFRSs. For the purpose of preparing the Financial Information, the Group has adopted all these new and revised IFRSs applicable to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the annual accounting period beginning on 1 January 2013. The revised and new accounting standards and interpretations issued but not yet effective for the annual accounting period beginning on 1 January 2013 are set out in note 31.

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 six months ended 30 June 2012 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. Details of reorganisation of the Group during the Relevant Periods are set out below.

The Company was established by Fook Lam Leather Trading Co. (福林皮件貿易公司) ("Fook Lam") in Shishi, Fujian on 20 November 1995. Fook Lam was a company which was held by Mr Wang Jianshe on behalf of Mr Lam Wo Ping, Mr Lam Wo Sze, Mr Lam Kwok Keung and Mr Lam Wing Ho, shareholders of Fuguiniao Group Limited (富貴鳥集團有限公司) ("Fuguiniao Group").

On 8 October 2004, Fook Lam entered into an agreement with Fuguiniao Group under which Fook Lam transferred its entire shareholding in the Company to Fuguiniao Group. Upon the transfer, Fuguiniao Group became the immediate and ultimate holding company of the Group.

During the Relevant Periods, the Company entered into certain agreements with Fuguiniao Group under which the Company merged with a company and acquired certain companies which were under the control of the ultimate holding company. All these transactions were considered as business combinations under common control for the purpose of preparation of the Financial Information of the Group.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group as set out in Section A include the results of operations of the companies comprising the Group for the Relevant Periods (or where the companies were established/acquired at a date later than 1 January 2010, for the period from the date of establishment/acquisition to 30 June 2013), as if the group structure has been in existence throughout the Relevant Periods. The consolidated statements of financial position as at 31 December 2010, 2011 and 2012 and 30 June 2013 as set out in Section A have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

At the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Fuguiniao (Fujian) Shoes Clothes Co., Ltd.* ("Fuguiniao Fujian") (富貴鳥 (福建) 鞋服有限公司)	PRC/31 January 2007	HKD30,000,000	75%	25%	Manufacturing and trading of shoes and business casual wear
Hong Kong Anywalk International Fashions Limited ("Anywalk Hong Kong") . . .	Hong Kong/ 29 July 2010	HKD10,000	–	100%	Trading
Fuguiniao (HongKong) Limited ("Fuguiniao HongKong") . . .	Hong Kong/ 12 January 2012	RMB27,000,000	100%	–	Investment holding and trading
Fuguiniao Sales Company Limited* ("Fuguiniao Sales") (富貴鳥 銷售有限公司) . .	PRC/ 8 March 2013	RMB50,000,000	100%	–	Trading

* The English translations of these names are for reference only. The official names of Fuguiniao Fujian and Fuguiniao Sales are in Chinese.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand which is the Group's presentation currency and the functional currency of the Company and its subsidiaries in mainland China.

The Financial Information is prepared on the historical cost basis except that derivative financial instruments which are stated at their fair value as explained in the accounting policies set out below.

The preparation of Financial Information 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 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 28.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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, transactions and cash flows 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.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)(i)).

(e) Business combination for entities under common control

Business combination arising from transfer of interests in entities that are under the common control of the equity shareholders that control the Group are accounted for using book value accounting as if the acquisition had occurred at the beginning of the Relevant Periods.

Upon transfer of interest in an entity to another entity that is under the control of the equity owner that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

(f) Other financial assets

Cost includes attributable transaction costs. Other financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(j)(i)).

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(u)).

No depreciation is provided in respect of construction in progress.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value of 10%, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over 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 10 years
- Leasehold improvements 3 years
- Motor vehicles 8 years
- Furniture, fixtures and equipment 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

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.

(i) 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.

(j) Impairment of assets

(i) Impairment of investments in subsidiaries, trade and other receivables and other financial assets

Investments in subsidiaries, trade and other receivables that are stated at amortised cost and other financial assets 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(j)(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(j)(ii).
- For 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 future cash flow, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for other financial assets carried at cost are not reversed.
- For trade and other receivables 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 these financial assets 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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bills receivables 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 and bills receivables 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; and
- interests in leasehold land held for own use under operating leases;

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 the 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 first 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/periods. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(k) 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.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)(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 (see note 1(j)(i)).

Trade and other receivables are derecognised if substantially all the risks and rewards of ownership of the trade and other receivables are transferred. If substantially all the risks and rewards of ownership of trade and other receivables are retained, the trade and other receivables are continued to recognise in the consolidated statement of financial position. For discounted commercial acceptance bills to banks with recourse, the bills receivable are not derecognised until the customer settled the respective bills with the banks.

(m) 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 the effective interest method.

(n) 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.

(o) 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.

(p) 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/period 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.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(q) 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 that 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 substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years/periods.

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 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 profit 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 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 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.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the group under the guarantee, and (ii) the amount of that claim on the group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the group or the company 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.

(s) 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 related risks and rewards of ownership. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

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

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching 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 year in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful lives of the asset by way of reduced depreciation expense.

Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other revenue when the amount is received.

(t) Translation of foreign currencies

Foreign currency transactions during the year/period 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 end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside mainland China are translated into Renminbi at the average exchange rates for the year/period which approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates ruling at the end of the reporting period.

(u) 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.

(v) Research and development expenditure

Expenditure on research activities is recognised as an expense in the year/period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the year/period in which it is incurred.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or

- (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) 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).
 - (ii) 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).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) 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.

(x) 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.

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 and segment reporting

(a) Turnover

The principal activities of the Group are manufacturing and trading of shoes and menswear in the PRC. Turnover represents the sales value of goods sold less returns, discounts and VAT.

The Group's customer base is diversified and two, one, one and one customer(s) with whom transactions have exceeded 10% of the Group's turnover for the year ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012, respectively. The amounts of sales to these customers amounted to RMB392,682,000, RMB425,493,000, RMB347,640,000 and RMB220,623,000 (unaudited) for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012, respectively. No customer with whom transactions have exceeded 10% of the Group's turnover for the six months ended 30 June 2013. Details of concentrations of credit risk arising from these customers are set out in note 24(a).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). 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 presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Design, manufacture and trading of shoes and accessories ("Shoes")
- Design and trading of menswear ("Menswear")

In presenting the information on the basis of business segments, segment turnover and results are based on the turnover and gross profit of Shoes and Menswear.

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 years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 is set out below:

	Shoes				Menswear*				Total					
	Six months ended 30 June				Year ended 31 December				Six months ended 30 June					
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment			(unaudited)					(unaudited)					(unaudited)	
turnover	1,070,090	1,382,145	1,503,934	877,547	-	269,415	428,195	208,776	206,859	1,070,090	1,651,560	1,932,129	903,119	1,084,406
Cost of sales	(787,145)	(968,918)	(1,019,692)	(540,098)	-	(170,587)	(260,141)	(129,141)	(126,110)	(787,145)	(1,139,505)	(1,279,833)	(619,440)	(666,208)
Reportable segment gross profit	282,945	413,227	484,242	337,449	-	98,828	168,054	79,635	80,749	282,945	512,055	652,296	283,679	418,198
Depreciation and amortisation	8,389	9,359	10,713	5,226	-	-	-	-	-	8,389	9,359	10,713	5,276	5,226

* The Menswear segment was set up in 2011.

The Group does not allocate any specific assets or expenditures for property, plant and equipment to the operating segments as the Group's most senior executive management does not use the information to measure the performance of the reportable segments. The performance of the reportable segments is assessed by the Group's most senior executive management base on a measure of the gross profit.

(ii) *Geographic information*

The following table sets out information about the geographical location of the Group's turnover from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	Turnover from external customers				
	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
The PRC	713,293	1,292,989	1,578,493	740,972	920,611
Russia	187,093	189,263	153,369	77,819	53,215
Italy	16,626	26,028	62,683	12,915	57,192
Austria	74,356	87,670	60,297	34,318	29,063
Canada	38,874	37,808	48,986	10,781	14,177
Others	39,848	17,802	28,301	26,314	10,148
	<u>1,070,090</u>	<u>1,651,560</u>	<u>1,932,129</u>	<u>903,119</u>	<u>1,084,406</u>

3 Other revenue and other net (loss)/income

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Other revenue					
Interest income	25,546	27,485	15,442	14,093	4,021
Government grants	1,666	1,757	18,844	623	1,889
Others	88	32	315	187	1,250
	<u>27,300</u>	<u>29,274</u>	<u>34,601</u>	<u>14,903</u>	<u>7,160</u>
Other net (loss)/income					
Net foreign exchange					
(loss)/gain	(6,783)	(5,774)	2,741	621	(422)
Loss on disposal of fixed assets	—	(168)	(57)	(57)	(28)
Unrealised (loss)/gain on forward foreign exchange contracts	—	—	(871)	—	2,006
Others	—	6	70	70	(166)
	<u>(6,783)</u>	<u>(5,936)</u>	<u>1,883</u>	<u>634</u>	<u>1,390</u>

4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(a) Finance costs					
Interest on bank loans	40,850	48,200	41,489	26,252	10,633
Interest on other borrowings wholly repayable within five years	—	2,069	628	628	—
	40,850	50,269	42,117	26,880	10,633
(b) Staff costs					
Contributions to defined contribution retirement plans (note 22)	1,366	1,874	4,441	1,239	3,236
Salaries, wages and other benefits	134,319	145,957	194,120	82,668	103,103
	135,685	147,831	198,561	83,907	106,339
(c) Other items					
Depreciation and amortisation . . .	11,153	11,859	19,063	8,706	11,298
Provision/(written back of provision) for impairment of trade receivables	135	5,922	(9,207)	(1,729)	—
(Written back of provision)/provision for impairment of other receivables .	(33)	—	(74)	178	—
Provision/(written back of provision) for diminution in value of inventories	481	(717)	(45)	(45)	—
Gain on disposal of a subsidiary . .	—	—	(70)	(70)	—
Auditor's remuneration					
– Audit services	4	14	28	1	13
– Other services	—	—	1,400	—	1,877
Operating lease charges in respect of properties	6,054	6,258	4,670	980	3,861
Research and development costs (note (i))	8,071	15,201	24,581	8,610	19,918
Cost of inventories (note (ii))	787,145	1,139,505	1,279,833	619,440	666,208

Notes:

- (i) Research and development costs include staff costs of employees in the design, research and development department of RMB4,758,000, RMB6,836,000, RMB13,830,000, RMB4,977,000 (unaudited) and RMB7,284,000 for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 respectively, which are included in the staff costs as disclosed in note 4(b).
- (ii) Cost of inventories includes RMB111,417,000, RMB132,199,000, RMB129,949,000, RMB66,183,000 (unaudited) and RMB63,631,000 for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively, relating to staff costs, depreciation and amortisation and operating lease charges in respect of properties, which amounts are also included in the respective total amounts disclosed separately above or in notes 4(b) and (c) for each of these types of expenses.

5 Income tax in the consolidated statements of profit or loss and other comprehensive income

(a) *Income tax in the consolidated statements of profit or loss and other comprehensive income represents:*

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax – Hong Kong					
Profits Tax					
Provision for the year/period	–	–	–	–	281
Current tax – PRC Corporate					
Income Tax					
Provision for the year/period	41,079	74,647	114,589	48,336	71,569
Under/(over)-provision in respect of prior years/periods	1,296	(1,742)	–	–	(824)
Deferred tax					
Origination and reversal of temporary differences (note 14(b))	(140)	(776)	(6,237)	(45)	1,504
	<u>42,235</u>	<u>72,129</u>	<u>108,352</u>	<u>48,291</u>	<u>72,530</u>

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2013. No provision was made for Hong Kong Profits Tax for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 as the Group did not earn any assessable profit subject to Hong Kong Profits Tax.
- (ii) The Company and its subsidiaries in mainland China are subject to the PRC Corporate Income Tax at the statutory rate of 25% except Fuguiniao Fujian. Fuguiniao Fujian was entitled to a preferential tax treatment of 2 years exemption and 3 years 50% reduction in income tax rate from 2008. It did not qualify to enjoy the preferential tax rate of 12.5% in 2012 as it could not fulfill the requirements of productive foreign invested enterprise under the relevant tax rules.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before taxation	160,976	325,983	431,939	193,364	281,530
Notional tax on profit before taxation, calculated at the standard tax rates applicable to the respective tax jurisdictions . .	40,244	81,496	108,015	48,358	70,563
Effect of non-deductible expenses .	695	714	868	440	1,691
Effect of change in tax rate on deferred tax balances	–	–	(531)	(507)	–
PRC tax concessions (note 5(a)(ii))	–	(8,339)	–	–	–
Reversal of temporary differences recognised	–	–	–	–	1,100
Under/(over)-provision in prior years/periods	1,296	(1,742)	–	–	(824)
Actual tax expense	42,235	72,129	108,352	48,291	72,530

6 Directors' and supervisors' remuneration

Directors' and supervisors' remuneration are as follows:

Year ended 31 December 2010

	Directors' fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr Lam Wo Ping	–	870	–	–	870
Non-executive directors					
Mr Lam Wo Sze	–	870	–	–	870
Mr Lam Wing Ho	–	870	–	–	870
Mr Lam Kwok Keung	–	870	–	–	870
Total	–	3,480	–	–	3,480

Year ended 31 December 2011

	Directors' fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr Lam Wo Ping	–	880	–	–	880
Non-executive directors					
Mr Lam Wo Sze	–	880	–	–	880
Mr Lam Wing Ho	–	880	–	–	880
Mr Lam Kwok Keung	–	880	–	–	880
Total	–	3,520	–	–	3,520

Year ended 31 December 2012

	Directors' fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr Lam Wo Ping	–	940	–	–	940
Ms Han Ying (a)	–	426	–	–	426
Mr Hong Huihuang (a)	–	395	1	–	396
Non-executive directors					
Mr Lam Wo Sze	–	255	–	–	255
Mr Lam Wing Ho (b)	–	255	–	–	255
Mr Lam Kwok Keung	–	255	–	–	255
Mr Zhai Gang (c)	–	–	–	–	–
Independent non-executive directors					
Mr Wang Zhiqiang (d)	40	–	–	–	40
Ms Long Xiaoning (d)	40	–	–	–	40
Mr Li Yuzhong (d)	40	–	–	–	40
Supervisors					
Mr Zhang Haimu (e)	–	101	1	–	102
Mr Zhou Xinyu (e)	–	132	1	–	133
Ms Wang Xinhui (e)	–	–	–	–	–
Total	<u>120</u>	<u>2,759</u>	<u>3</u>	<u>–</u>	<u>2,882</u>

Six months ended 30 June 2013

	Directors' fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr Lam Wo Ping	–	181	–	–	181
Ms Han Ying	–	301	–	–	301
Mr Hong Huihuang	–	290	1	–	291
Non-executive directors					
Mr Lam Wo Sze	–	–	–	–	–
Mr Lam Wing Ho (b)	–	–	–	–	–
Mr Lam Kwok Keung	–	–	–	–	–
Mr Zhai Gang	–	–	–	–	–
Independent non-executive directors					
Mr Wang Zhiqiang	40	–	–	–	40
Ms Long Xiaoning	40	–	–	–	40
Mr Li Yuzhong	40	–	–	–	40
Mr Zhang Huaqiao (f)	10	–	–	–	10
Supervisors					
Mr Zhang Haimu	–	94	1	–	95
Mr Zhou Xinyu	–	127	1	–	128
Ms Wang Xinhui	–	–	–	–	–
Total	<u>130</u>	<u>993</u>	<u>3</u>	<u>–</u>	<u>1,126</u>

Six months ended 30 June 2012 (unaudited)

	Directors' fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr Lam Wo Ping	—	255	—	—	255
Ms Han Ying (a)	—	—	—	—	—
Mr Hong Huihuang (a)	—	—	—	—	—
Non-executive directors					
Mr Lam Wo Sze	—	255	—	—	255
Mr Lam Wing Ho (b)	—	255	—	—	255
Mr Lam Kwok Keung	—	255	—	—	255
Mr Zhai Gang (c)	—	—	—	—	—
Independent non-executive directors					
Mr Wang Zhiqiang (d)	—	—	—	—	—
Ms Long Xiaoning (d)	—	—	—	—	—
Mr Li Yuzhong (d)	—	—	—	—	—
Supervisors					
Mr Zhang Haimu (e)	—	—	—	—	—
Mr Zhou Xinyu (e)	—	—	—	—	—
Ms Wang Xinhui (e)	—	—	—	—	—
Total	—	1,020	—	—	1,020

- (a) Appointed as executive director on 29 June 2012.
- (b) Ceased to be a non-executive director on 29 June 2012 and re-appointed as a non-executive director on 12 May 2013.
- (c) Appointed as non-executive director on 29 June 2012.
- (d) Appointed as independent non-executive director on 29 June 2012.
- (e) Appointed as supervisor on 29 June 2012.
- (f) Appointed as independent non-executive director on 12 May 2013.

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors, supervisors or any of the highest paid individuals set out in note 7 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, 4, 4, 3, 5 and 2 of them are directors for the years ended 31 December 2010, 2011 and 2012, and the six months ended 30 June 2012 and 2013, respectively. The emoluments of these directors, excluding the emoluments before their directorship, are disclosed in note 6 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012*	2012*	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	710	720	1,404	294	643
Contributions to retirement benefit scheme	—	—	4	—	1
	710	720	1,408	294	644

* The amounts for the year ended 31 December 2012 and the six months ended 30 June 2012 include emoluments of 2 and 1 individuals with highest emoluments, respectively, before the commencement of their directorship on 29 June 2012.

The emoluments of all the remaining individuals with the highest emoluments for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, and the emoluments of the 2 and 1 individuals with highest emoluments for the year ended 31 December 2012 and the six months ended 30 June 2012 respectively who were appointed as directors of the Company on 29 June 2012, are within the the bound of HKD Nil to HKD1,000,000.

8 Remuneration of senior management

Remuneration of senior management of the Group, including amounts paid to the highest paid employees other than directors as disclosed in note 7, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012*	2012*	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other benefits	1,419	1,727	1,764	819	768
Contributions to retirement benefit schemes	2	4	4	2	1
	<u>1,421</u>	<u>1,731</u>	<u>1,768</u>	<u>821</u>	<u>769</u>

* The amounts for the year ended 31 December 2012 and the six months ended 30 June 2012 include emoluments of 2 and 2 senior management respectively, before the commencement of their directorship on 29 June 2012.

Remunerations of the senior management of the Group, other than directors as disclosed in note 7, are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(unaudited)	
HKD Nil to HKD1,000,000 .	<u>4</u>	<u>5</u>	<u>3</u>	<u>3</u>	<u>4</u>

9 Profit attributable to equity shareholders of the Company

The consolidated profits attributable to equity shareholders of the Company include profits of RMB118,795,000, RMB195,620,000, RMB339,160,000, RMB142,098,000 (unaudited) and RMB211,465,000 for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively, which have been dealt with in the financial statements of the Company.

10 Dividends

Dividends declared to equity shareholders of the Company during the Relevant Periods are set out below:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends declared during the year/period	130,392	130,668	152,437	152,437	200,000

Dividends declared during the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 represent dividends declared by the companies comprising the Group to their equity holders. Certain dividends were settled through netting off of amount due from Fujian Shishi Fuguiniao Group Co., Ltd. ("Shishi Fuguiniao Group"), a company collectively owned by Shareholders of Fuguiniao Group, in accordance with the respective agreements (see note 19(c)). The dividend per share for these periods is not presented as such information is not meaningful having regard to the purpose of this Financial Information.

During the six months ended 30 June 2013, dividend in respect of the previous financial year of RMB0.5 per share was approved by the Company.

11 Basic earnings per share

Earnings per share information for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 are not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group on the basis as set out in note 1(b).

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to equity shareholders of the Company of RMB209,000,000 and the weighted average of 400,000,000 shares in issue during the period.

There were no dilutive potential ordinary shares during the Relevant Periods and, therefore, diluted earnings per share are the same as the basic earnings per share.

12 Fixed assets

The Group

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Leasehold improvement	Construction in progress	Sub-total	Interests in leasehold land held for own use under operating leases	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:									
At 1 January 2010.	56,744	95,877	12,187	14,056	—	52,291	231,155	35,294	266,449
Additions.	—	3,453	1,478	1,232	—	9,810	15,973	33,297	49,270
At 31 December 2010 and 1 January 2011	56,744	99,330	13,665	15,288	—	62,101	247,128	68,591	315,719
Additions.	—	4,541	1,171	5,604	—	12,046	23,362	—	23,362
Transfer from construction in progress	73,948	—	—	—	—	(73,948)	—	—	—
Disposals	—	—	(1,682)	—	—	—	(1,682)	—	(1,682)
At 31 December 2011 and 1 January 2012	130,692	103,871	13,154	20,892	—	199	268,808	68,591	337,399
Additions.	59,492	2,968	988	8,601	7,693	729	80,471	57,644	138,115
Transfer from construction in progress	928	—	—	—	—	(928)	—	—	—
Disposals	—	—	(218)	—	—	—	(218)	(33,297)	(33,515)
At 31 December 2012 and 1 January 2013	191,112	106,839	13,924	29,493	7,693	—	349,061	92,938	441,999
Additions.	—	114	399	1,566	—	—	2,079	—	2,079
Disposals	—	(284)	—	—	—	—	(284)	—	(284)
At 30 June 2013	191,112	106,669	14,323	31,059	7,693	—	350,856	92,938	443,794

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Leasehold improvement	Construction in progress	Sub-total	Interests in leasehold land held for own use under operating leases	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and amortisation:									
At 1 January 2010.	3,935	59,009	6,410	8,625	—	—	77,979	3,009	80,988
Charge for the year	2,553	5,102	1,047	1,745	—	—	10,447	706	11,153
At 31 December 2010 and 1 January 2011	6,488	64,111	7,457	10,370	—	—	88,426	3,715	92,141
Charge for the year	4,311	4,082	1,144	1,616	—	—	11,153	706	11,859
Written back on disposals	—	—	(1,514)	—	—	—	(1,514)	—	(1,514)
At 31 December 2011 and 1 January 2012	10,799	68,193	7,087	11,986	—	—	98,065	4,421	102,486
Charge for the year	8,261	4,052	1,242	2,610	786	—	16,951	2,112	19,063
Written back on disposals	—	—	(139)	—	—	—	(139)	—	(139)
At 31 December 2012 and 1 January 2013	19,060	72,245	8,190	14,596	786	—	114,877	6,533	121,410
Charge for the year	4,300	2,220	655	1,785	1,282	—	10,242	1,056	11,298
Written back on disposals	—	(256)	—	—	—	—	(256)	—	(256)
At 30 June 2013	23,360	74,209	8,845	16,381	2,068	—	124,863	7,589	132,452
Net book value:									
At 31 December 2010	50,256	35,219	6,208	4,918	—	62,101	158,702	64,876	223,578
At 31 December 2011.	119,893	35,678	6,067	8,906	—	199	170,743	64,170	234,913
At 31 December 2012	172,052	34,594	5,734	14,897	6,907	—	234,184	86,405	320,589
At 30 June 2013	167,752	32,460	5,478	14,678	5,625	—	225,993	85,349	311,342

The Company

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Leasehold improvement	Construction in progress	Sub-total	Interests in leasehold land held for own use under operating leases	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:									
At 1 January 2010.	56,744	95,877	12,187	14,056	—	52,291	231,155	35,294	266,449
Additions.	—	3,453	1,478	1,232	—	9,810	15,973	—	15,973
At 31 December 2010 and 1 January 2011	56,744	99,330	13,665	15,288	—	62,101	247,128	35,294	282,422
Additions.	—	4,541	1,171	5,557	—	12,046	23,315	—	23,315
Transfer from construction in progress	73,948	—	—	—	—	(73,948)	—	—	—
Disposals	—	—	(1,682)	—	—	—	(1,682)	—	(1,682)
At 31 December 2011 and 1 January 2012	130,692	103,871	13,154	20,845	—	199	268,761	35,294	304,055
Additions.	52,712	2,968	988	7,447	7,693	729	72,537	57,644	130,181
Transfer from construction in progress	928	—	—	—	—	(928)	—	—	—
Disposals	—	—	(218)	—	—	—	(218)	—	(218)
At 31 December 2012 and 1 January 2013	184,332	106,839	13,924	28,292	7,693	—	341,080	92,938	434,018
Additions.	—	114	399	1,354	—	—	1,867	—	1,867
Disposals	—	(284)	—	—	—	—	(284)	—	(284)
At 30 June 2013	184,332	106,669	14,323	29,646	7,693	—	342,663	92,938	435,601

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Leasehold improvement	Construction in progress	Sub-total	Interests in leasehold land held for own use under operating leases	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and amortisation:									
At 1 January 2010	3,935	59,009	6,410	8,625	—	—	77,979	3,009	80,988
Charge for the year	2,553	5,102	1,047	1,745	—	—	10,447	706	11,153
At 31 December 2010 and 1 January 2011	6,488	64,111	7,457	10,370	—	—	88,426	3,715	92,141
Charge for the year	4,311	4,082	1,144	1,612	—	—	11,149	706	11,855
Written back on disposals	—	—	(1,514)	—	—	—	(1,514)	—	(1,514)
At 31 December 2011 and 1 January 2012	10,799	68,193	7,087	11,982	—	—	98,061	4,421	102,482
Charge for the year	8,085	4,052	1,242	2,542	786	—	16,707	2,112	18,819
Written back on disposals	—	—	(139)	—	—	—	(139)	—	(139)
At 31 December 2012 and 1 January 2013	18,884	72,245	8,190	14,524	786	—	114,629	6,533	121,162
Charge for the year	4,147	2,220	655	1,680	1,282	—	9,984	1,056	11,040
Written back on disposals	—	(256)	—	—	—	—	(256)	—	(256)
At 30 June 2013	23,031	74,209	8,845	16,204	2,068	—	124,357	7,589	131,946
Net book value:									
At 31 December 2010	50,256	35,219	6,208	4,918	—	62,101	158,702	31,579	190,281
At 31 December 2011	119,893	35,678	6,067	8,863	—	199	170,700	30,873	201,573
At 31 December 2012	165,448	34,594	5,734	13,768	6,907	—	226,451	86,405	312,856
At 30 June 2013	161,301	32,460	5,478	13,442	5,625	—	218,306	85,349	303,655

All of the Group's and the Company's interests in leasehold land held for own use under operating leases are located in the PRC under medium term leases.

13 Investments in subsidiaries

The Company

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	5,000	5,000	50,529	100,529

Details of subsidiaries of the Group during the Relevant Periods are as follows:

Name of company	Place and date of incorporation/establishment	Issued and fully paid up capital/registered capital	Principal activities
Fuguiniao Fujian.	PRC/31 January 2007	HKD30,000,000	Manufacturing and trading of shoes and business casual wear
Anywalk Hong Kong	Hong Kong/29 July 2010	HKD10,000	Trading
Fuguiniao HongKong	Hong Kong/12 January 2012	RMB27,000,000	Investment holding and trading
Fuguiniao Sales	PRC/8 March 2013	RMB50,000,000	Trading
Quanzhou Fuguiniao Investment Company Limited* ("Quanzhou Fuguiniao") (泉州市富貴鳥投資有限公司)	PRC/25 October 2010	RMB5,000,000	Investment of real estate

* The English translation of the name is for reference only. The official name of Quanzhou Fuguiniao is in Chinese. Quanzhou Fuguiniao was disposed to Shishi Fuguiniao Group in February 2012 (see note 19(d)).

Proportion of ownership interest in these subsidiaries by the Group and the Company at the end of each reporting period is set out below:

Name of company	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2010	2011	2012	2013	2010	2011	2012	2013
Fuguiniao Fujian.	100%	100%	100%	100%	—	—	75%	75%
Anywalk Hong Kong	100%	100%	100%	100%	—	—	—	—
Quanzhou Fuguiniao	100%	100%	—	—	100%	100%	—	—
Fuguiniao HongKong	N/A	N/A	100%	100%	N/A	N/A	100%	100%
Fuguiniao Sales	N/A	N/A	N/A	100%	N/A	N/A	N/A	100%

14 Income tax in the statements of financial position

(a) *Current taxation in the statements of financial position*

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2010	2011	2012	2013	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for Hong Kong Profits Tax	—	—	—	281	—	—	—	—
Provision for PRC Corporate Income Tax	8,699	36,279	58,783	51,583	8,699	32,011	57,567	51,583
	8,699	36,279	58,783	51,864	8,699	32,011	57,567	51,583

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the statements of financial position and the movements during the Relevant Periods are as follows:

The Group

	Provision for doubtful debts	Provision for diminution in value of inventories	Unused tax losses	Unrealised profits	Accrued expenses	Derivative financial instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	814	70	–	–	–	–	884
Credited to profit or loss (note 5(a)). . .	19	120	1	–	–	–	140
At 31 December 2010 and at 1 January 2011	833	190	1	–	–	–	1,024
Credited/ (charged) to profit or loss (note 5(a)). . .	956	(179)	(1)	–	–	–	776
At 31 December 2011 and at 1 January 2012	1,789	11	–	–	–	–	1,800
(Charged)/ credited to profit or loss (note 5(a)). . .	(1,789)	(11)	–	6,720	1,100	217	6,237
At 31 December 2012 and at 1 January 2013 .	–	–	–	6,720	1,100	217	8,037
Credited/(Charged) to profit or loss (note 5(a))	–	–	–	115	(1,100)	(519)	(1,504)
At 30 June 2013	–	–	–	6,835	–	(302)	6,533

Reconciliation to the consolidated statements of financial position:

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	1,024	1,800	8,037	6,835
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	–	–	(302)
	1,024	1,800	8,037	6,533

The Company

	Provision for doubtful debts	Provision for diminution in value of inventories	Accrued expenses	Derivative financial instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	814	70	–	–	884
Credited to profit or loss	13	120	–	–	133
At 31 December 2010 and at 1 January 2011	827	190	–	–	1,017
Credited/(charged) to profit or loss	431	(179)	–	–	252
At 31 December 2011 and at 1 January 2012	1,258	11	–	–	1,269
(Charged)/credited to profit or loss	(1,258)	(11)	1,100	217	48
At 31 December 2012 and at 1 January 2013	–	–	1,100	217	1,317
Charged to profit or loss	–	–	(1,100)	(519)	(1,619)
At 30 June 2013	–	–	–	(302)	(302)

Reconciliation to the statements of financial position:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the statement of financial position	1,017	1,269	1,317	–
Net deferred tax liabilities recognised in the statement of financial position	–	–	–	(302)
	1,017	1,269	1,317	(302)

15 Inventories

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	135,097	112,042	128,353	104,597
Work in progress	10,419	16,464	25,048	26,395
Finished goods	98,373	48,567	85,124	82,951
	243,889	177,073	238,525	213,943

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	135,097	103,705	128,353	104,597
Work in progress	10,419	16,464	25,048	26,395
Finished goods	98,373	48,567	35,638	36,275
	243,889	168,736	189,039	167,267

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold.	786,664	1,140,222	1,279,878	666,208
Write down of inventories	481	–	–	–
Write back of provision for diminution in value of inventories .	–	(717)	(45)	–
	<u>787,145</u>	<u>1,139,505</u>	<u>1,279,833</u>	<u>666,208</u>

16 Trade and other receivables

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– third parties	158,689	313,127	352,272	452,482
– related parties	65,188	59,720	–	–
Bills receivable (note (c))				
– third parties	220	1,570	17,600	52,649
– related parties	–	37,000	–	–
Less: Provision for impairment . . .	(3,285)	(9,207)	–	–
Trade and bills receivables (note (a), (b))	220,812	402,210	369,872	505,131
Prepayments to suppliers				
– third parties	7,610	36,170	11,237	31,926
– related parties	–	33	–	–
Amounts due from the immediate and ultimate holding company (note (d))	55,536	2,182	–	–
Amounts due from related parties (note (e))	434,013	228,655	–	–
VAT deductible	17,506	–	12,240	12,008
Other prepayments	12,526	8,600	14,638	23,789
Other receivables	9,009	5,426	20,435	6,451
Less: Provision for impairment . . .	(74)	(74)	–	–
Derivative financial instruments (note (g))	–	–	–	1,206
	<u>756,938</u>	<u>683,202</u>	<u>428,422</u>	<u>580,511</u>

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– third parties	158,689	236,670	316,517	396,101
– related parties	65,188	24,855	–	–
– subsidiaries (note (f))	–	–	105,541	147,837
Bills receivable (note (c))				
– third parties	220	70	17,600	52,649
– related parties	–	37,000	–	–
Less: Provision for impairment	(3,285)	(4,957)	–	–
Trade and bills receivables (note (a), (b))	220,812	293,638	439,658	596,587
Prepayments to suppliers				
– third parties	7,610	36,065	10,874	28,835
Amounts due from the immediate and ultimate holding company (note (d))	55,536	2,182	–	–
Amounts due from related parties (note (e))	434,013	228,655	–	–
Amounts due from subsidiaries (note (f))	33,298	64,090	4,026	–
VAT deductible	17,506	–	–	–
Other prepayments	12,526	8,288	14,405	21,417
Other receivables	3,778	5,422	20,277	6,194
Less: Provision for impairment	(22)	(74)	–	–
Derivative financial instruments (note (g))	–	–	–	1,206
	<u>785,057</u>	<u>638,266</u>	<u>489,240</u>	<u>654,239</u>

Trade and other receivables of the Group and the Company included deposits of RMB461,000, RMB964,000, RMB3,132,000 and RMB3,003,000 as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, which are expected to be recovered after more than one year.

In addition, at 31 December 2010 and 2011, trade and bills receivables with carrying amount of RMB59,913,000 and RMB133,439,000 respectively, were pledged as security for certain bank loans and other borrowings (see note 20(i)).

(a) Ageing analysis

Included in trade and other receivables are trade and bills receivables with the following ageing analysis based on invoice date as at 31 December 2010, 2011 and 2012 and 30 June 2013 are as follows:

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	199,171	293,967	355,082	462,890
More than 3 months but within 6 months	19,041	74,838	10,456	34,697
More than 6 months but within 1 year	1,911	28,695	4,254	6,921
More than 1 year	689	4,710	80	623
	<u>220,812</u>	<u>402,210</u>	<u>369,872</u>	<u>505,131</u>

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	199,171	259,894	416,577	517,850
More than 3 months but within 6 months	19,041	9,061	18,747	65,764
More than 6 months but within 1 year	1,911	19,973	4,254	12,350
More than 1 year	689	4,710	80	623
	<u>220,812</u>	<u>293,638</u>	<u>439,658</u>	<u>596,587</u>

Trade receivables are due within 90 days from the invoice date. Details of the Group's credit policy are set out in note 24(a).

(b) Impairment of trade and bills receivables

The movement in the provision for impairment of trade and bills receivables during the Relevant Periods is as follows:

The Group

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	3,150	3,285	9,207	–
Impairment loss recognised . .	135	5,922	–	–
Impairment loss written back .	–	–	(9,207)	–
At the end of the year/period .	<u>3,285</u>	<u>9,207</u>	<u>–</u>	<u>–</u>

The Company

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	3,150	3,285	4,957	–
Impairment loss recognised . .	135	1,672	–	–
Impairment loss written back .	–	–	(4,957)	–
At the end of the year/period .	<u>3,285</u>	<u>4,957</u>	<u>–</u>	<u>–</u>

An ageing analysis of trade and bills receivables that are past due is set out as follows:

The Group

	As at 31 December			As at 30 June 2013
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 3 months past due.	19,041	74,838	10,456	34,697
More than 3 months past due	2,600	33,405	4,334	7,544
	<u>21,641</u>	<u>108,243</u>	<u>14,790</u>	<u>42,241</u>

The Company

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 3 months past due.	19,041	9,061	18,747	65,764
More than 3 months past due	2,600	24,683	4,334	12,973
	21,641	33,744	23,081	78,737

At 31 December 2010, 2011 and 2012 and 30 June 2013, the Group has assessed the recoverability of the receivables past due and established a provision of doubtful debts collectively based on experience. The provision for doubtful debts is recorded using a provision account unless the Group is satisfied that recovery is remote, in which case the unrecovered loss is written off against trade receivables and the provision for doubtful debts directly (see note 1(j)(i)).

(c) Bills receivable

Bills receivable included bank acceptance bills not matured and commercial acceptance bills which had been discounted to banks with recourse (see note 20).

(i) Commercial acceptance bills

The Group and the Company continued to recognise the carrying amount of the discounted commercial acceptance bills with recourse as receivables as the Group was still exposed to credit risk on bills. As at 31 December 2011, the carrying amount of commercial acceptance bills discounted with recourse was RMB37,000,000.

In addition, as at 31 December 2010 and 2011, the commercial acceptance bills amounted to RMB69,350,000 and RMB193,400,000 respectively have been discounted to banks without recourse. Accordingly, the respective bills receivable are de-recognised upon discounts of the bills.

(ii) Bank acceptance bills

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group and the Company had discounted or endorsed bank acceptance bills with recourse of RMB4,490,000, RMB8,268,000, RMB209,053,000 and RMB44,910,000, respectively. These bank acceptance bills matured within three or six months from the date of issue. As the Group only accepts bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal. Accordingly, the respective bills receivable are de-recognised upon discounts or endorsement of the bills.

- (d)** At 31 December 2010 and 2011, the amounts due from the immediate and ultimate holding company represented the net proceeds received from the export sales and import purchases by the immediate and ultimate holding company on behalf of the Company. The amounts were unsecured, interest free and repayable on demand.
- (e)** Amounts due from related parties as at 31 December 2010 and 2011 represented the advances to related parties, which were unsecured and repayable on demand. For the year ended 31 December 2010, 2011 and 2012, the interest rates were 2.08%-4.23%, 3.50%-6.56% and 6.56% per annum, respectively.
- (f)** Amounts due from subsidiaries are unsecured, interest free and repayable on demand.
- (g)** The amounts represented the fair value of the foreign currency forward contracts entered into by the Company (see note 24(e)).

17 Other financial assets

Other financial assets represented costs of investments in unlisted wealth management products issued by banks in the PRC.

18 Pledged bank deposits

The Group and the Company

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Bank deposits pledged as security for:				
Bills payable (note 21)	6,300	2,640	—	22,678
Bank loans (note 20)	10,260	17,474	—	—
Obligation of constructions	—	3,254	—	—
Foreign exchange forward contracts	—	—	2,213	—
	<u>16,560</u>	<u>23,368</u>	<u>2,213</u>	<u>22,678</u>

19 Cash and cash equivalents and fixed deposits at banks

(a) *Cash and cash equivalents and fixed deposits at banks comprise:*The Group

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits with banks within three months to maturity when placed	—	50,000	—	—
Cash at bank and in hand	112,986	424,663	362,784	229,515
Cash and cash equivalents	112,986	474,663	362,784	229,515
Deposits with banks with more than three months to maturity when placed	—	23,700	101,000	187,000
	<u>112,986</u>	<u>498,363</u>	<u>463,784</u>	<u>416,515</u>

The Company

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits with banks within three months to maturity when placed	—	50,000	—	—
Cash at bank and in hand	107,965	417,406	335,468	183,254
Cash and cash equivalents	107,965	467,406	335,468	183,254
Deposits with banks with more than three months to maturity when placed	—	23,700	101,000	187,000
	<u>107,965</u>	<u>491,106</u>	<u>436,468</u>	<u>370,254</u>

At 31 December 2010, 2011 and 2012 and 30 June 2013, the cash and deposits of the Group that were placed with banks in the mainland China amounted to RMB112,697,000, RMB498,264,000, RMB446,055,000 and RMB391,657,000, respectively.

At 31 December 2010, 2011 and 2012 and 30 June 2013, the cash and deposits of the Company that were placed with banks in the mainland China amounted to RMB107,694,000, RMB491,057,000, RMB436,224,000 and RMB369,853,000, respectively.

Remittance of funds out of mainland China 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:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation	160,976	325,983	431,939	(unaudited) 193,364	281,530
Adjustments for:					
Depreciation and amortisation	11,153	11,859	19,063	8,706	11,298
Provision/(write back of provision) for impairment of trade receivables	135	5,922	(9,207)	(1,729)	—
(Write back of provision)/provision for impairment of other receivables	(33)	—	(74)	178	—
Provision/(write back of provision) for diminution in value of inventories	481	(717)	(45)	(45)	—
Interest expense	40,850	50,269	42,117	26,880	10,633
Net unrealised foreign exchange (gain)/loss	(122)	(595)	250	(52)	598
Interest income	(25,546)	(27,485)	(15,442)	(14,093)	(4,931)
Loss on disposal of fixed assets	—	168	57	57	28
Gain on disposal of a subsidiary	—	—	(70)	(70)	—
Unrealised loss/(gain) on forward foreign exchange contracts	—	—	871	—	(2,006)
Changes in working capital:					
(Increase)/decrease in inventories	(59,531)	67,533	(61,407)	12,808	24,582
(Increase)/decrease in trade and other receivables	(187,118)	(144,034)	34,947	27,661	(148,057)
(Increase)/decrease in pledged deposits	(2,475)	406	3,681	5,894	(20,465)
Increase/(decrease) in trade and other payables	9,361	21,290	67,453	(2,377)	40,560
Cash (used in)/generated from operations	(51,869)	310,599	514,133	257,182	193,770

(c) Major non-cash transactions

- (i) During the year ended 31 December 2011, dividend payables of RMB142,500,000 in respect of those declared by the Group in 2010 and 2011 was net off against the amount due from Shishi Fuguiniao Group of the Company in accordance with an agreement entered into by Fuguiniao Group, Shishi Fuguiniao Group and the Company dated 26 December 2011.
- (ii) During the six months ended 30 June 2012 and the year ended 31 December 2012, dividend payable of RMB95,000,000 in respect of that declared by the Company in 2012 was net off against the amount due from Shishi Fuguiniao of the Company in accordance with an agreement entered into by Fuguiniao Group, Shishi Fuguiniao Group and the Company dated 27 January 2012.

- (iii) During the six months ended 30 June 2012 and the year ended 31 December 2012, the Group purchased certain buildings and interest in leasehold land on which the buildings located from Shishi Fuguiniao Group at a consideration of RMB101,561,000, RMB101,561,000 of which was settled through offsetting the amount due from Shishi Fuguiniao Group upon the date of the transaction.
- (iv) During the year ended 31 December 2012, the Company acquired 75% of interests in Fuguiniao Fujian at a consideration of RMB23,528,000 which was settled through offsetting the amount due from Shishi Fuguiniao Group upon the date of the transaction.

(d) Disposal of a subsidiary

On 13 February 2012, the Company entered into an agreement with Shishi Fuguiniao Group, under which the Company disposed 100% interest in Quanzhou Fuguiniao to Shishi Fuguiniao Group at a consideration of RMB5,000,000. Quanzhou Fuguiniao was established by the Company in Shishi, Fujian on 25 October 2010. The net identifiable assets and liabilities of Quanzhou Fuguiniao at the date of disposal are as follows:

	RMB'000
Cash and cash equivalents	218
Trade and other receivables	313
Interests in leasehold land held for own use under operating leases	33,297
Trade and other payables	(28,897)
Current tax payable	(1)
Net assets	4,930
Gain on disposal	70
Consideration received, satisfied in cash	5,000
Less: Cash and cash equivalents disposed of	(218)
Net cash inflow	4,782

(e) Net (placement of)/proceeds from other financial assets

The placement of and proceeds from other financial assets were offset in the cash flow statements as these investments turn over quickly and the maturities of these investments are short.

20 Bank loans and other borrowings

At 31 December 2010, 2011 and 2012 and 30 June 2013, the bank loans and other borrowings were repayable within one year as follows:

The Group and the Company

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
– secured (note (i), (iii))	60,192	122,697	–	–
– guaranteed (note (ii))	476,000	618,000	359,000	458,936
– unsecured	50,000	–	–	–
	586,192	740,697	359,000	458,936
Other borrowings				
– guaranteed (note (ii))	–	40,000	–	–
	586,192	780,697	359,000	458,936

- (i) Secured bank loans as at 31 December 2011 included amounts of RMB37,000,000 arising from discounted commercial acceptance bills to banks with recourse term.

At the end of each reporting period, assets of the Group secured against bank loans and other borrowings are analysed as follows:

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables . .	59,913	133,439	–	–
Pledged bank deposits	10,260	17,474	–	–
	70,173	150,913	–	–

- (ii) At the end of each reporting period, certain bank loans and other borrowings were guaranteed by the related parties of the Group and the Company as follows:

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Shishi Fuguiniao Group	50,000	209,000	–	–
Shareholders of the ultimate holding company	253,000	208,000	201,000	258,936
Shareholders of the ultimate holding company and Shishi Fuguiniao Group	223,000	347,000	158,000	200,000
	<u>526,000</u>	<u>764,000</u>	<u>359,000</u>	<u>458,936</u>

- (iii) In addition, at 31 December 2010 and 2011, bank loans of RMB50,000,000 and RMB106,000,000 respectively were guaranteed by Shishi Fuguiniao Group and secured by trade and bills receivables of the Group and the Company. The balance is classified as secured bank loans and included the amounts set out in note (i) above.

21 Trade and other payables

The Group

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– third parties	87,231	76,001	175,287	109,037
– related parties	787	–	–	–
Bills payable (note (a)).	21,000	13,200	–	112,690
Trade and bills payables (note (b))	109,018	89,201	175,287	221,727
Receipts in advance				
– third parties	24,589	39,587	19,063	7,025
– related parties	238	12,315	–	–
Amount due to the immediate and ultimate holding company.	130,392	–	–	300
Dividend payable (note (c))	–	–	–	17,200
VAT and other taxes payable	969	9,413	9,571	27,689
Other payables and accruals	18,079	32,948	37,453	33,939
Derivative financial instruments (note 16(g))	–	–	871	–
	<u>283,285</u>	<u>183,464</u>	<u>242,245</u>	<u>307,880</u>

The Company

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– third parties	87,231	74,728	175,230	108,403
– related parties	787	–	–	–
– subsidiary	–	–	–	9,171
Bills payable (note (a)).	21,000	13,200	–	112,690
Trade and bills payables (note (b))	109,018	87,928	175,230	230,264
Receipts in advance				
– third parties	24,589	39,587	19,063	4,727
– related parties	238	12,315	–	–
Amount due to the immediate and ultimate holding company.	130,392	–	–	300
Amount due to a subsidiaries.	–	–	13,253	49,970
Dividend payable (note (c))	–	–	–	17,200
VAT and other taxes payable	969	9,390	9,456	27,576
Other payables and accruals	18,079	32,845	30,024	26,801
Derivative financial instruments (note 16(g))	–	–	871	–
	<u>283,285</u>	<u>182,065</u>	<u>247,897</u>	<u>356,838</u>

(a) Bills payable of the Group and the Company as at 31 December 2010, 2011 and 2012 and 30 June 2013 were secured by pledged bank deposits of RMB6,300,000, RMB2,640,000, RMB Nil and RMB22,678,000, respectively (see note 18).

(b) An ageing analysis of the trade and bills payables based on the invoice date is as follows:

The Group

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	98,782	86,036	169,815	165,602
More than 3 months but within 6 months	6,739	1,155	4,032	53,945
More than 6 months but within 1 year	2,977	1,167	1,430	1,379
More than 1 year	520	843	10	801
	<u>109,018</u>	<u>89,201</u>	<u>175,287</u>	<u>221,727</u>

The Company

	As at 31 December			As at 30 June 2013
	2010	2011	2012	
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	98,782	84,763	169,758	174,139
More than 3 months but within 6 months	6,739	1,155	4,032	53,945
More than 6 months but within 1 year	2,977	1,167	1,430	1,379
More than 1 year	520	843	10	801
	<u>109,018</u>	<u>87,928</u>	<u>175,230</u>	<u>230,264</u>

(c) The balance as at 30 June 2013 represented unpaid dividends declared by the Company during the six months ended 30 June 2013 (see note 10).

22 Employee retirement benefits***Defined contribution retirement plans***

The Company and the PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the Company and the PRC subsidiaries are required to make contributions at the rate of 11% to 22% of the eligible salaries of eligible employees to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

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 and not previously covered by the defined benefit retirement plan. 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 HKD20,000 prior to June 2012 and HKD25,000 since June 2012. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

23 Capital and reserves***(a) Movements in components of equity of the Group***

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of movements in components of equity of the Group during the Relevant Periods are set out below:

- (i) The capital of the Group as at 1 January 2010 represented the aggregate amount of paid-in capital of the Company of HKD100,000,000 (equivalent to RMB108,079,000) and the paid-in capital of Fulin Shoes Co., Ltd. Shishi Fujian ("Fulin Shoes") (福建石獅市福林鞋業有限公司) of RMB160,000,000. Fulin Shoes was merged into the Company during the year ended 31 December 2010 and the paid-in capital of Fulin Shoes was merged into the paid-in capital of the Company.
- (ii) During the year ended 31 December 2010:
 - Fuguiniao Group acquired Fuguiniao Fujian, which was subsequently transferred to the Group on 13 March 2012; and
 - Fuguiniao Group established Anywalk Hong Kong, which was subsequently transferred to the Group on 19 April 2012.

Accordingly, the capital of the Group as at 31 December 2010 represented the aggregate amount of paid-in capital of the Company of USD35,320,000 (equivalent to RMB268,079,000), the paid-in capital of Fuguiniao Fujian of HKD6,000,000 (equivalent to RMB5,251,000) and the share capital of Anywalk Hong Kong of HKD10,000 (equivalent to RMB9,000).

- (iii) During the year ended 31 December 2011, the paid-in capital of Fuguiniao Fujian increased to HKD30,000,000 (equivalent to RMB25,545,000) as a result of capital injection from Fuguiniao Group. The capital of the Group as at 31 December 2011 represented the aggregate amount of paid-in capital of the Company of USD35,320,000 (equivalent to RMB268,079,000), the paid-in capital of Fuguiniao Fujian of HKD30,000,000 (equivalent to RMB25,545,000) and the share capital of Anywalk Hong Kong of HKD10,000 (equivalent to RMB9,000).

- (iv) On 25 April 2012, new shareholders of the Company injected capital of USD6,590,000 (equivalent to RMB41,493,000), including paid-in capital of USD3,070,000 (equivalent to RMB19,330,000) to the Company. The paid-in capital of the Company increased to USD38,390,000 (equivalent to RMB287,409,000) accordingly and the premium on the issue was credited to capital reserve of the Company.
- (v) As set out in note 23(a)(ii), Fuguiniao Fujian and Anywalk Hong Kong were transferred to the Group from Fuguiniao Group. The difference between Fuguiniao Group's interest in the carrying amount of the assets and liabilities of Fuguiniao Fujian and Anywalk Hong Kong upon the date of transfers and the considerations paid by the Group to Fuguiniao Group was dealt with in capital reserve of the Group according to the accounting policy set out in note 1(e).
- (vi) On 29 June 2012, the Company converted into a joint stock limited liability company and 400,000,000 shares of RMB1 each were issued. The retained profits and statutory reserve of the Company upon the conversion were transferred to share capital and capital reserve of the Company accordingly under rules and regulations in respect of conversion to a joint stock limited liability company in the PRC.

(b) *Movements in components of equity of the Company*The Company

	Section B Note	Capital RMB'000	Capital reserve RMB'000 Note 23(c)	Statutory reserve RMB'000 Note 23(d)	Retained profits RMB'000	Total RMB'000
As at						
1 January 2010	23(b)(i)	268,079	976	29,315	184,820	483,190
Changes in equity for 2010:						
Profit and total comprehensive income for the year . .		—	—	—	118,795	118,795
Appropriation to statutory reserve . . .	23(d)	—	—	8,576	(8,576)	—
Merger with entity under common control	23(b)(ii)		11,840	(14,040)	2,200	—
Dividends declared . . .	10	—	—	—	(130,392)	(130,392)
As at						
31 December 2010 and 1 January 2011 .		268,079	12,816	23,851	166,847	471,593
Changes in equity for 2011:						
Profit and total comprehensive income for the year . .		—	—	—	195,620	195,620
Appropriation to statutory reserve . . .	23(d)	—	—	19,430	(19,430)	—
Dividends declared . . .	10	—	—	—	(130,668)	(130,668)
As at 31 December 2011 and 1 January 2012		268,079	12,816	43,281	212,369	536,545
Changes in equity for 2012:						
Profit and total comprehensive income for the year . .		—	—	—	339,160	339,160
Appropriation to statutory reserve . . .	23(d)	—	—	25,330	(25,330)	—
Capital injection	23(a)(iv)	19,330	22,163	—	—	41,493
Conversion to joint stock limited liability company	23(a)(vi)	112,591	125,822	(43,281)	(195,132)	—
Dividends declared . . .	10	—	—	—	(100,000)	(100,000)
As at						
31 December 2012 . .		400,000	160,801	25,330	231,067	817,198

	Section B Note	Capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
			Note 23(c)	Note 23(d)		
As at 1 January 2013 .		400,000	160,801	25,330	231,067	817,198
Changes in equity for the six months ended 30 June 2013:						
Profit and total comprehensive income for the period.		—	—	—	211,465	211,465
Dividends declared . . .	10	—	—	—	(200,000)	(200,000)
As at 30 June 2013. . .		<u>400,000</u>	<u>160,801</u>	<u>25,330</u>	<u>242,532</u>	<u>828,663</u>
(Unaudited)						
As at 1 January 2012: .		268,079	12,816	43,281	212,369	536,545
Changes in equity for the six months ended 30 June 2012:						
Profit and total comprehensive income for the period.		—	—	—	142,098	142,098
Capital injection	23(a)(iv)	19,330	22,163	—	—	41,493
Conversion to joint stock limited liability company	23(a)(vi)	112,591	125,822	(43,281)	(195,132)	—
Dividends declared . . .	10	—	—	—	(100,000)	(100,000)
As at 30 June 2012. . .		<u>400,000</u>	<u>160,801</u>	<u>—</u>	<u>59,335</u>	<u>620,136</u>

Notes:

- (i) The capital of the Company as at 1 January 2010 represented the aggregate amount of paid-in capital of the Company of HKD100,000,000 (equivalent to RMB108,079,000) and the paid-in capital of Fulin Shoes of RMB160,000,000. Fulin Shoes, which was previously under common control of Fuguiniao Group, was merged into the Company during the year ended 31 December 2010 and the financials of Fulin Shoes was included in the Financial Information of the Company as if the merger had occurred at the beginning of the Relevant Periods in accordance with accounting policy of the Company set out in note 1(e).
- (ii) Fulin Shoes was merged into the Company and the surplus reserve and retained earnings of Fulin Shoes upon the merger was transferred to the capital reserve of the Company accordingly.

(c) Capital reserve

Capital reserve mainly represents:

- the difference between the Group's interest in the net book value of an entity under common control of the shareholders that control the Group and the cost of consideration of acquisition of that entity;
- the difference between the nominal value of shares of the subsidiary acquired over the consideration paid by the Company thereafter; and
- premium arising from capital injection from shareholders and conversion to joint stock limited liability company.

(d) Statutory reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the Company Law of the PRC to its statutory surplus 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 equity owner. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

(e) Distributable reserves

At 31 December 2010, 2011 and 2012 and 30 June 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Company Law of the People's Republic of China, were RMB166,847,000, RMB212,369,000, RMB231,067,000 and RMB221,385,000, respectively.

(f) Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders 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.

The Group monitors its capital structure with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there were adequate working capital to service its debt obligations. The Group's gearing ratio, being the Group's total bank loans and other borrowings over its total equity, at 31 December 2010, 2011 and 2012 and 30 June 2013 was 123%, 126%, 45% and 57%, respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 Financial risk management and fair value

Exposure to credit, liquidity, interest rate and currency 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, deposits with bank and other financial assets. Management has a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

Credit evaluations are performed on customers requiring credit terms. These evaluations focus on the customer's past history of making payments and current abilities to pay and take into account information specific to the customer as well as to the economic environment. Normally, the Group does not obtain collateral from customers. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2010, 2011 and 2012 and 30 June 2013, 30%, 24%, Nil and 5% of the total trade and bills receivables were due from the Group's largest customer respectively, and 51%, 37%, 14% and 14% of the total trade and bills receivables were due from the Group's five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. Except for the financial guarantees given by the Company as set out in note 26, the Group does not provide any other guarantees which would expose the Group to credit risk.

In addition, as set out in note 16(c)(ii), as at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group had discounted or endorsed certain bank acceptance bills with recourse amounted to RMB4,490,000, RMB8,268,000, RMB209,053,000 and RMB44,910,000 respectively and the respective receivables were de-recognised upon discounting or endorsement. The Group's maximum loss in case of default is the face value of the discounted bills. As the Group only accepts bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal.

(ii) Deposits with banks and forward contracts

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit rating and by entering into forward contracts with counterparties of sound credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any counterparty to fail to meet its obligations.

(iii) Other financial assets

As set out in note 17, the Group invested in certain unlisted wealth management products issued by banks in the PRC. The management considers the counterparties are banks with high credit rating and the default risk is remote.

(b) Liquidity risk

The Company is responsible for the cash management of all companies comprising the Group, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, 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 terms.

All non-interest bearing financial liabilities of the Group are carried at amount not materially different from their contractual undiscounted cash flow as all the financial liabilities are with maturities within one year or repayable on demand at the end of the respective reporting period.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company'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 end of the each of the reporting period) and the earliest date the Group and the Company can be required to pay:

	The Group		The Company	
	Total contractual undiscounted cash flow/within 1 year or on demand	Carrying amount on consolidated statement of financial position	Total contractual undiscounted cash flow/within 1 year or on demand	Carrying amount on statement of financial position
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2010				
Bank loans and other borrowings	603,595	586,192	603,595	586,192
Trade and bills payables.	109,018	109,018	109,018	109,018
Amount due to the immediate and ultimate holding company	130,392	130,392	130,392	130,392
Other payables and accruals.	18,079	18,079	18,079	18,079
	<u>861,084</u>	<u>843,681</u>	<u>861,084</u>	<u>843,681</u>
At 31 December 2011				
Bank loans and other borrowings	799,960	780,697	799,960	780,697
Trade and bills payables.	89,201	89,201	87,928	87,928
Other payables and accruals.	32,948	32,948	32,845	32,845
	<u>922,109</u>	<u>902,846</u>	<u>920,733</u>	<u>901,470</u>
At 31 December 2012				
Bank loans and other borrowings	368,697	359,000	368,697	359,000
Trade and bills payables.	175,287	175,287	175,230	175,230
Amount due to a subsidiary.	–	–	13,253	13,253
Other payables and accruals.	37,453	37,453	30,024	30,024
Derivative financial instruments	871	871	871	871
	<u>582,308</u>	<u>572,611</u>	<u>588,075</u>	<u>578,378</u>
At 30 June 2013				
Bank loans and other borrowings	472,715	458,936	472,715	458,936
Trade and bills payables.	221,727	221,727	230,264	230,264
Amount due to a subsidiary.	–	–	49,970	49,970
Dividend payable	17,200	17,200	17,200	17,200
Other payables and accruals	34,239	34,239	27,100	27,100
	<u>745,881</u>	<u>732,102</u>	<u>797,249</u>	<u>783,470</u>

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and other borrowings. Borrowings that are at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profiles 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 and the Company's borrowings at the end of the reporting period:

The Group and the Company

	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
		RMB'000		RMB'000		RMB'000		RMB'000
Fixed rate instruments:								
	2.88%-		3.38%-		5.40%-		2.41%-	
Bank loans	5.81%	476,192	9.60%	528,697	7.54%	359,000	6.30%	458,936
Variable rate instruments:								
	5.31%-		6.31%-					
Bank loans and other borrowings	5.81%	110,000	7.54%	252,000	-	-	-	-
Total instruments		<u>586,192</u>		<u>780,697</u>		<u>359,000</u>		<u>458,936</u>

(ii) Sensitivity analysis

At 31 December 2010, 2011 and 2012 and 30 June 2013, it is estimated that a general increase/decrease of 100 basis points in borrowing interest rates, with all other variables held constant, would have decrease/increase the Group's and the Company's profit after tax for the year/period and retained profits by approximately RMB825,000, RMB1,890,000, RMB Nil and RMB Nil, respectively. Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the impact on the Group's profit for the year/period and retained profits that would arise assuming that there is an annualised or semi-annualised impact on interest expense by a change in interest rates. The analysis has been performed on the same basis throughout the Relevant Periods.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables and borrowings and cash balances that are denominated in a foreign currency other than RMB. The currencies giving rise to this risk are primarily United States dollars and Euros.

The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate, or entering into forward contracts to hedge against currency risk where necessary to address short-term imbalances. The forward contracts were entered in anticipation of forecasted export sale transactions.

(i) Exposure to currency risk

The following table details the Group's and the Company's major exposure as at the end of the reporting period 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 each reporting period.

The Group

	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	United States Dollars		United States Dollars		United States Dollars		United States Dollars	
	Euros		Euros		Euros		Euros	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	26,003	1	13,306	4,130	3,005	6,528	2,235	13,474
Trade and other receivables	72,603	–	28,318	–	24,460	3,885	–	1,263
Bank loans and other borrowings .	(10,192)	–	(16,697)	–	–	–	(18,536)	–
Trade and other payables	(1,770)	–	(363)	–	(444)	(351)	(1,626)	(109)
Notional amount of forward contracts	(228,313)	–	(315,045)	(16,325)	–	(58,223)	–	(52,348)
Net exposure to currency risk . . .	(141,669)	1	(290,481)	(12,195)	27,021	(48,161)	(17,927)	(37,720)

The Company

	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	United States Dollars		United States Dollars		United States Dollars		United States Dollars	
	Euros		Euros		Euros		Euros	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	26,003	1	13,306	4,130	3,005	3,410	2,235	3,196
Trade and other receivables	72,603	–	28,318	–	28,486	3,885	37,534	8,269
Bank loans and other borrowings .	(10,192)	–	(16,697)	–	–	–	(18,536)	–
Trade and other payables	(1,770)	–	(363)	–	(444)	(351)	(8,520)	(2,278)
Notional amount of forward contracts	(228,313)	–	(315,045)	(16,325)	–	(58,223)	–	(52,348)
Net exposure to currency risk . . .	(141,669)	1	(290,481)	(12,195)	31,047	(51,279)	12,713	(43,161)

(ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's and the Company's profit after tax and equity that would arise if the foreign exchange rates to which the Group and the Company has significant exposure as at the end of each of the Relevant Periods had changed, assuming all other risk variables remained constant.

The Group

	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	Increase/ (decrease) in foreign exchange rates in%	Effect on profit after tax and equity	Increase/ (decrease) in foreign exchange rates in%	Effect on profit after tax and equity	Increase/ (decrease) in foreign exchange rates in%	Effect on profit after tax and equity	Increase/ (decrease) in foreign exchange rates in%	Effect on profit after tax and equity
	RMB'000		RMB'000		RMB'000		RMB'000	
United States								
Dollars.	1	(1,063)	1	(2,179)	1	203	1	(134)
	(1)	1,063	(1)	2,179	(1)	(203)	(1)	134
Euros	1	–	1	(91)	1	(359)	1	(274)
	(1)	–	(1)	91	(1)	359	(1)	274

The Company

	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	Increase/ (decrease) in foreign exchange rates in%	Effect on profit after tax and equity	Increase/ (decrease) in foreign exchange rates in%	Effect on profit after tax and equity	Increase/ (decrease) in foreign exchange rates in%	Effect on profit after tax and equity	Increase/ (decrease) in foreign exchange rates in%	Effect on profit after tax and equity
	RMB'000		RMB'000		RMB'000		RMB'000	
United States								
Dollars.	1	(1,063)	1	(2,179)	1	233	1	95
	(1)	1,063	(1)	2,179	(1)	(233)	(1)	(95)
Euros	1	–	1	(91)	1	(385)	1	(324)
	(1)	–	(1)	91	(1)	385	(1)	324

Results of the analysis as presented in the above table 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 Renminbi at the exchange rate ruling at the end of each 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 and the Company which expose the Group and the Company to foreign currency risk as at the end of each of the Relevant Periods which are denominated in a currency other than the functional currencies of the lender or the borrower.

(e) *Fair value*

The carrying amounts of the Group's and the Company's financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010, 2011 and 2012 and 30 June 2013. The carrying values of the Group's and the Company's financial instruments approximate their fair values because of the short maturities of these instruments. The fair value of foreign currency forward contracts is measured using quoted prices in active markets for similar financial instruments.

25 Commitments

(a) Operating leases commitments

At 31 December 2010, 2011 and 2012 and 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	5,989	5,476	7,458	7,797
After 1 year but within 5 years	18,075	13,680	19,369	23,812
After 5 years	—	—	13,981	12,467
	<u>24,064</u>	<u>19,156</u>	<u>40,808</u>	<u>44,076</u>

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	5,989	5,476	4,555	4,586
After 1 year but within 5 years	18,075	13,680	17,521	16,518
After 5 years	—	—	13,950	12,467
	<u>24,064</u>	<u>19,156</u>	<u>36,026</u>	<u>33,571</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period for one to ten years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

(b) Forward contracts

The Group and the Company have entered into the forward contracts with major banks in the PRC to hedge against the foreign currency risk. At 31 December 2010, 2011 and 2012 and 30 June 2013, the notional amounts of the outstanding forward contracts have been disclosed in note 24(d)(i).

26 Contingent liabilities

At 31 December 2011, the Company provided a corporate guarantee of RMB200,000,000 to a related company, Fujian Fuguiniao Mining Group Company Limited ("Fuguiniao Mining") (福建省富貴島礦業集團有限公司), for its banking facilities. The guarantee was released on 30 June 2012. The Group did not recognise any deferred income in respect of the guarantee issued as its fair value was not reliably estimable and the guaranteed amount was insignificant.

During the Relevant Periods, no claims had been made against the Group under the guarantee.

27 Material related party transactions

The related parties with which the Group entered into material transactions during the Relevant Periods are as follows:

Name of party	Relationships
Fuguiniao Group	Immediate and ultimate holding company and owned as to 32.5% by Mr Lam Wo Ping, 22.5% by Mr Lam Wo Sze, 22.5% by Mr Lam Kwok Keung and 22.5% by Mr Lam Wing Ho
Mr Lam Wo Ping	Director and Chairman
Mr Lam Wo Sze	Director and brother of Mr Lam Wo Ping
Mr Lam Kwok Keung	Director and cousin of Mr Lam Wo Ping

Name of party	Relationships
Mr Lam Wing Ho	Cousin of Mr Lam Wo Ping
Mr Lin Qianlu	Son of Mr Lam Wo Sze
Ms Lin Shuxian	Daughter of Mr Lam Wo Sze
Shishi Fuguiniao Group	Collectively owned by Mr Lam Wo Ping, Mr Lam Wo Sze, Mr Lam Kwok Keung and Mr Lam Wing Ho
Shishi Minxing Shoe Material Trading Co., Ltd.* ("Shishi Minxing") (石獅市閩興鞋材工貿有限公司)	Controlled by brother-in-law of Mr. Lam Kwok Keung
Chengdu Meiyate Trading Co., Ltd.* ("Chengdu Meiyate") (成都美雅特商貿有限責任公司)	Controlled by Mr Lam Wo Sze (ceased to be a related party since 6 October 2012 as their interests were sold to third parties)
Beijing Jinrunfeng Trading Co., Ltd.* ("Beijing Jinrunfeng") (北京錦潤豐商貿有限責任公司)	Controlled by Mr Lam Wo Sze (ceased to be a related party since 15 October 2012 as their interests were sold to third parties)
Changsha Zubu Footwear and Apparel Trading Co., Ltd.* ("Changsha Zubu") (長沙市足步鞋服貿易有限公司)	Controlled by Mr Lam Wo Sze (ceased to be a related party since 15 October 2012 as their interests were sold to third parties)
Xiamen Diyi Trading Co., Ltd.* ("Xiamen Diyi") (廈門帝一貿易有限公司)	Controlled by Mr Lam Wo Sze (ceased to be a related party since 15 October 2012 as their interests were sold to third parties)
Shanghai Fulin Footwear Co., Ltd.* ("Shanghai Fulin") (上海福林鞋業有限公司)	Controlled by Mr Lam Wo Sze (ceased to be a related party since 15 October 2012 as their interests were sold to third parties)
Wuhan Heyuanxiang Trading Co., Ltd.* ("Wuhan Heyuanxiang") (武漢和源祥商貿有限責任公司)	Controlled by Mr Lam Wo Sze (ceased to be a related party since 15 October 2012 as their interests were sold to third parties)
Fuzhou Dawei Trading Co., Ltd.* ("Fuzhou Dawei") (福州達維貿易有限公司)	Controlled by Mr Lam Wo Sze (ceased to be a related party since 15 October 2012 as their interests were sold to third parties)
Xi'an Danpuni Trading Co., Ltd.* ("Xi'an Danpuni") (西安丹普妮商貿有限責任公司)	Controlled by Mr Lam Wo Sze (ceased to be a related party since 15 October 2012 as their interests were sold to third parties)
Shishi Andy Trading Co., Ltd.* ("Shishi Andy") (石獅市安迪商貿有限責任公司)	Controlled by Mr Lin Qianlu (ceased to be a related party since 27 August 2012 as their interests were sold to third parties)
Xuzhou Fuxingyuan Real Estate Development Co., Ltd.* ("Xuzhou Fuxingyuan") (徐州富興源房地產開發有限公司)	Controlled by Mr Lam Wo Sze
Fujian Shishi Henglin Footwear Co., Ltd.* ("Shishi Henglin") (福建省石獅市恒林鞋業有限公司)	Controlled by Ms Lin Shuxian (ceased to be a related party since 15 October 2012 as their interests were sold to third parties)
Shishi Lina Real Estate Development Co., Ltd.* ("Lina Real Estate") (石獅市麗娜房地產開發有限公司)	Controlled by Mr Lam Wo Sze
Quanzhou Tianyuan (International) Technology Limited* ("Quanzhou Tianyuan") (泉州市天元(國際)科技有限公司)	Controlled by Mr Lam Kwok Keung
Beipiao City Fuguiniao Mining Co., Ltd.* ("Beipiao Fuguiniao Mining") (北票市富貴鳥礦業有限公司)	Indirectly controlled by Mr Lam Wo Ping

* The English translations of the names of these companies are for reference only. The official names of these companies are in Chinese.

(a) Transactions with related parties

In addition to the related party transactions disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Sales of products to					
– Chengdu Meiyate (note (i)) . . .	80,815	101,848	72,842	47,390	–
– Beijing Jinrunfeng (note (i)) . . .	59,319	97,104	81,659	48,469	–
– Xiamen Diyi (note (i))	37,122	57,037	42,639	26,111	–
– Changsha Zubu (note (i))	31,464	41,187	36,186	26,541	–
– Wuhan Heyuanxiang (note (i)) . . .	25,804	39,432	30,256	19,602	–
– Shanghai Fulin (note (i))	21,070	52,870	49,576	32,577	–
– Xi'an Danpuni (note (i))	13,730	19,341	20,867	11,585	–
– Fuzhou Dawei (note (i))	9,574	16,674	13,615	8,348	–
– Beipiao Fuguiniao Mining	–	40	–	–	–
	<u>278,898</u>	<u>425,533</u>	<u>347,640</u>	<u>220,623</u>	<u>–</u>
Purchase of inventories from					
– Shishi Minxing	2,255	2,540	855	885	–
– Chengdu Meiyate (note (ii)) . . .	–	–	9,604	–	–
– Beijing Jinrunfeng (note (ii)) . . .	–	–	6,360	–	–
– Changsha Zubu (note (ii))	–	–	2,254	–	–
– Wuhan Heyuanxiang (note (ii))	–	–	4,772	–	–
– Shanghai Fulin (note (ii))	–	–	5,847	–	–
– Xi'an Danpuni (note (ii))	–	–	3,959	–	–
– Fuzhou Dawei (note (ii))	–	–	2,059	–	–
	<u>2,255</u>	<u>2,540</u>	<u>35,710</u>	<u>855</u>	<u>–</u>
Interest income from					
– Shishi Fuguiniao Group	12,623	18,779	8,061	7,400	–
– Shishi Andy (note (i))	4,312	2,028	496	496	–
– Xuzhou Fuxingyuan	3,817	3,997	1,471	1,471	–
– Shishi Henglin (note (i))	2,753	168	99	99	–
– Lina Real Estate	911	1,165	115	115	–
– Quanzhou Tianyuan	103	91	52	52	–
	<u>24,519</u>	<u>26,228</u>	<u>10,294</u>	<u>9,633</u>	<u>–</u>
Lease of property and plant from					
– Shishi Fuguiniao Group	5,017	5,077	60	30	30
Purchases of fixed assets					
– Shishi Fuguiniao Group	–	–	110,355	110,355	–
– Fuguiniao Group	–	–	6,780	6,780	–
– Shishi Henglin (note (i))	–	–	2,098	2,098	–
	<u>–</u>	<u>–</u>	<u>119,233</u>	<u>119,233</u>	<u>–</u>

Notes:

- (i) These transactions include those between the Group and Shishi Andy, Chengdu Meiyate, Beijing Jinrunfeng, Changsha Zubu, Xiamen Diyi, Shanghai Fulin, Wuhan Heyuanxiang, Fuzhou Dawei, Xi'an Danpuni and Shishi Henglin when these parties were the related parties of the Group during the Relevant Periods. These parties were no longer related parties of the Group upon disposals to independent third parties in 2012 as set out above.
- (ii) During the year ended 31 December 2012, these parties transferred 208 outlets to the Group for a total consideration (excluding VAT) of RMB34,855,000, representing the cost of inventories stored in the respective outlets at the date of transfer.

In addition to the transactions set out above, on 13 February 2012, the Company entered into an agreement with Shishi Fuguiniao Group, under which the Company disposed 100% interest in Quanzhou Fuguiniao to Shishi Fuguiniao Group at a consideration of RMB5,000,000. Upon the date of the disposal, Quanzhou Fuguiniao held land use right of a piece of land in Quanzhou which was acquired by the Group in 2010.

(b) Balances with related parties

At 31 December 2010, 2011 and 2012 and 30 June 2013, the Group had the following balances with related parties:

(i) Amounts due from related parties

	As at 31 December			As at
	2010	2011	2012	30 June
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Trade-related				
Trade and bills receivables				
– Chengdu Meiyate. .	23,935	10,384	–	–
– Changsha Zubu. . .	15,392	7,854	–	–
– Shanghai Fulin . . .	10,378	21,093	–	–
– Xiamen Diyi	8,706	12,872	–	–
– Fuzhou Dawei. . . .	4,087	12,194	–	–
– Beijing Jinrunfeng .	1,604	22,000	–	–
– Wuhan				
– Heyuanxiang	1,086	4,981	–	–
– Xi'an Danpuni. . . .	–	5,342	–	–
	65,188	96,720	–	–
Prepayments				
– Shishi Minxing . . .	–	33	–	–
	–	–	–	–
Non-trade-related				
Amount due from related parties				
– Shishi Fuguiniao Group.	233,827	101,560	–	–
– Shishi Andy	54,905	23,393	–	–
– Xuzhou				
– Fuxingyuan	107,177	91,175	–	–
– Shishi Henglin . . .	4,481	4,650	–	–
– Lina Real Estate . .	31,245	5,410	–	–
– Quanzhou				
– Tianyuan	2,378	2,467	–	–
– Fuguiniao Group . .	55,536	2,182	–	–
	489,549	230,837	–	–
	554,737	327,590	–	–

(ii) Amounts due to related parties

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade-related				
Trade payables				
– Shishi Minxing . . .	787	–	–	–
Receipts in advance				
– Xi'an Danpuni . . .	238	–	–	–
– Shanghai Fulin . . .	–	1,662	–	–
– Wuhan Heyuanxiang . . .	–	9,411	–	–
– Chengdu Meiyate . .	–	619	–	–
– Beijing Jinrunfeng .	–	623	–	–
	238	12,315	–	–
Non-trade related				
Amount due to immediate and ultimate holding company				
– Fuguiniao Group . .	130,392	–	–	300
	131,417	12,315	–	300

(iii) At 31 December 2010, 2011 and 2012 and 30 June 2013, certain banking facilities of the Group were jointly guaranteed by the shareholders of the ultimate holding company and Shishi Fuguiniao Group (see note 20).

(c) Operating leases commitments

At 31 December 2010, 2011 and 2012 and 30 June 2013, the total future minimum lease payments under non-cancellable operating leases that are payable to Shishi Fuguiniao Group as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	5,017	5,077	60	60
After 1 year but within 5 years	17,976	13,080	60	15
	22,993	18,157	120	75

(d) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and senior management are disclosed in notes 6 and 8 respectively.

Total remuneration is included in "staff costs" (note 4(b)).

28 Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the Financial Information. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(b) 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 the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates at the end of each reporting period.

(c) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

(d) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets except for those with an indefinite live are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(e) Bank acceptance bills

As set out in notes 16(c)(ii) and 24(a)(i), the Group considers that the credit risk associated with bank acceptance bills with recourse issued by major banks in the PRC to be minimal. The Group monitors the credit risk of issuing banks and the judgement to de-recognise bank acceptance bills with recourse upon discounting or endorsement is reviewed when the credit risk of issuing banks deteriorates significantly.

29 List of auditors of the subsidiaries

The following list contains details of the companies included in the Financial Information that are subject to audit during the Relevant Periods and the names of the respective auditors.

Name of company	Financial period	Statutory auditors
Fuguiniao Fujian.	For the years ended 31 December 2010 and 2012	Quanzhou Zhonghe Certified Public Accountants Co., Ltd.* 泉州眾和有限責任會計師事務所
	For the year ended 31 December 2011	Ascenda Certified Public Accountants Co., Ltd. Shenzhen Branch* 天健正信會計師事務所有限公司 深圳分所
Anywalk Hong Kong	For the period from 29 July 2010 to 31 December 2011 and the year ended 31 December 2012	Peter Y.C. Lau & Co CPA 劉玉珠會計師事務所
Fuguiniao HongKong	For the period from 12 January 2012 to 31 December 2012	Hon So Fan Certified Public Accountant (Practising) 韓素芬 執業會計師
Quanzhou Fuguiniao	For the year ended 31 December 2011	Quanzhou Zhonghe Certified Public Accountants Co., Ltd.* 泉州眾和有限責任會計師事務所

* The English translation of the auditors is for reference only. The official names of the companies are in Chinese.

30 Immediate and ultimate controlling party

As at 30 June 2013, the directors consider the immediate controlling party and ultimate controlling party to be Fuguiniao Group Limited which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of this Financial Information, the IASB has issued a number of amendments, one new standard and one new interpretation which are not yet effective for the Relevant Periods and which have not been adopted in this Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 32, <i>Financial instruments: Presentation</i> – <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
Amendments to IFRS 10, <i>Consolidated financial statements</i> , IFRS 12, <i>Disclosure of interests in other entities</i> and IAS 27 <i>Separate financial statements</i> – <i>Investment entities</i>	1 January 2014
Amendments to IAS 36, <i>Impairment of assets</i> – <i>Recoverable amount disclosures for non-financial assets</i>	1 January 2014
Amendments to IAS 39, <i>Financial instrument: Recognition and measurement</i> , – <i>Novation of derivatives and continuation of hedge accounting</i>	1 January 2014
IFRIC 21, <i>Levies</i>	1 January 2014
IFRS 9, <i>Financial instruments</i>	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments 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 Financial Information of the Group.

32 Non-adjusting events after the reporting period

On 28 October 2013, the Company entered into an agreement with Shishi Fuguiniao Group to dispose of certain buildings and interest in leasehold land held for own use under operating leases in the PRC at a consideration of RMB216,000,000. The carrying amounts of these assets amounted RMB184,621,000 as at 30 June 2013.

C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2013. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to 30 June 2013.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong

A UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and is to show the effect of the Global Offering as if it had taken place on 30 June 2013 assuming the Over-allotment Option is not exercised. The statement has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial position as of 30 June 2013 or at any future dates following the Global Offering.

	Consolidated net tangible assets attributable to equity shareholders of our Company as at 30 June 2013 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on the Offer					
Price of HK\$7.17 per Offer Share . . .	810,542	695,830	1,506,372	2.82	3.57
Based on the Offer					
Price of HK\$10.04 per Offer Share . . .	810,542	987,301	1,797,843	3.37	4.26

Notes:

- (1) The consolidated net tangible assets of the Group attributable to the equity shareholders of our Company as of 30 June 2013 was derived from the consolidated financial information as set out in the accountants' report in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK\$7.17 or HK\$10.04 per Offer Share, being the low-end and high-end of the indicative Offer Price range, respectively, after deducting the underwriting fees and other related expenses and does not take into account any H Shares that may be issued upon exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the translation of RMB into HK\$ was made at the rate of RMB0.7914 to HK\$1.00, the exchange rate prevailing on 3 December 2013 set by PBOC for foreign exchange transactions.
- (3) The unaudited pro forma net tangible assets per Share is calculated based on 533,340,000 Shares, being the number of shares in issue immediately following the completion of the Global Offering without taking into account any H Shares that may be issued upon exercise of the Over-allotment Option.

B UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share for the year ending 31 December 2013 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 they had taken place on 1 January 2013. This unaudited pro forma forecast earnings per Share had 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 for the year ending 31 December 2013 or for any future period.

Forecast consolidated profit attributable to equity
shareholders of the Company for the year ending

31 December 2013⁽¹⁾⁽³⁾ Not less than RMB402.8million
(approximately HK\$509.0 million)

Unaudited pro forma forecast earnings per Share

for the year ending 31 December 2013 ⁽²⁾⁽³⁾ Not less than RMB0.76
(approximately HK\$0.95)

Notes:

- (1) The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the forecast consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2013 based on the audited consolidated results for the six months ended 30 June 2013, the unaudited consolidated results based on management accounts of the Group for the three months ended 30 September 2013 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2013.
- (2) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated results for the year ending 31 December 2013 attributable to equity shareholders of the Company, assuming that a total of 533,340,000 Shares had been in issued during the entire year. The calculation of the forecast earnings per Share does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The forecast consolidated profit attributable to equity shareholders of the Company and the unaudited pro forma forecast earnings per Share are converted into HK\$ at the exchange rate of RMB0.7914 to HK\$1.00, the exchange rate prevailing on 3 December 2013 set by PBOC for foreign exchange transactions.

**C INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of inclusion in this prospectus.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

10 December 2013

The Directors
Fuguiniao Co., Ltd.

Dear Sirs

We have completed our assurance engagement to report on the compilation of pro forma financial information of Fuguiniao Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2013 and the unaudited pro forma forecast earnings per share for the year ending 31 December 2013 and related notes as set out in Parts A and B of Appendix II to the prospectus dated 10 December 2013 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Parts A and B of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of H Shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2013 and the forecast financial performance of the Company for the year ending 31 December 2013 as if the Global Offering had taken place at 1 January 2013, respectively. As part of this process, information about the Group's financial position as at 30 June 2013 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus. Information about the Group's forecast of the consolidated profit attributable to the equity shareholders of the Company for the year ending 31 December 2013 (the "Profit Forecast") has been extracted by the Directors from the paragraph headed "Profit Forecast" in the section headed "Financial Information" in the Prospectus on which an accountants' report has been published as set out in Appendix III to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the 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" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical or forecast financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 1 January 2013 and 30 June 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

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 in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled 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 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 attributable to equity shareholders of the Company for the year ending 31 December 2013 is set out in the paragraph headed “Profit Forecast” in the section headed “Financial Information” in this prospectus.

(1) BASIS AND ASSUMPTIONS

The forecast of the consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2013 prepared by the Directors is based on the audited consolidated results of the Group for the six months period ended 30 June 2013, the unaudited consolidated results of the Group for the three months period ended 30 September 2013 and a forecast for the remaining three months ending 31 December 2013. The Directors are not aware of any extraordinary items which have arisen or are likely to arise for the remaining three months ending 31 December 2013. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarised in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus and is based on the following principal assumptions:

- There will be no material changes in the existing government policies, legislation, rules or regulations, bases or rates of taxation, interest rates, exchange rates, inflation rates, or other fiscal, market or economic conditions in the PRC and Hong Kong;
- The Group is not materially and adversely affected by any of the risk factors set out in the section headed “Risk Factors” of our Prospectus;
- The Group will be able to continue its operations and business in the foreseeable future and 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 the Directors, including but not limited to the occurrence of natural disasters, supply failure, labour dispute, significant lawsuit and arbitration;
- The Directors expect no extraordinary financial items will be incurred during the Profit Forecast Period;
- The Profit Forecast has been prepared taking into account the Directors’ and the Group’s key senior management’s continued involvement in the development of the Group’s existing and new operations. It is assumed that the Group will be able to retain its key management and personnel during the Profit Forecast Period and the Group will not encounter any material difficulties in recruiting and retaining qualified staff;
- The Group will continue to enjoy its existing banking and credit facilities based on the prevailing interest rates, terms and conditions and will be able to renew those facilities upon expiry with terms not less favourable than prevailing terms. The Directors believe that additional banking and credit facilities will be available at terms not less favourable than the terms of the existing facilities; and
- The Group is not expected to undertake any major acquisition or disposition of assets or investments during the Profit Forecast Period.

(2) LETTER

Set out below are texts of letter received by our Directors from (i) KPMG, our reporting accountants, and (ii) the Sole Sponsor prepared for the purpose of inclusion in this prospectus in connection with the forecast of our consolidated profit attributable to equity shareholders of the Company for the year ending 31 December 2013.

(i) Letter from KPMG

The following is the text of a letter received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's profit forecast for the purpose of inclusion in this prospectus.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

10 December 2013

The Directors
Fuguiniao Co., Ltd.

CITIC Securities Corporate Finance (HK) 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 shareholders of Fuguiniao Co., Ltd. (the "Company") for the year ending 31 December 2013 (the "Profit Forecast"), for which the directors of the Company are solely responsible, as set forth in the paragraph headed "Profit Forecast" in the section headed "Financial Information" in the prospectus of the Company dated 10 December 2013 (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 six months ended 30 June 2013, the unaudited consolidated results based on management accounts of the Group for the three months ended 30 September 2013 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2013.

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 10 December 2013, 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 Sole Sponsor

The following is the text of a letter, prepared for inclusion in this prospectus by the Sole Sponsor in connection with the forecast of our consolidated profit attributable to the equity holders of the Company for the year ending 31 December 2013.



10 December 2013

The Directors
Fuguiniao Co., Ltd.

Dear Sirs

Fuguiniao Co., Ltd. – Profit Forecast

We refer to the forecast of the consolidated net profit attributable to equity shareholders of Fuguiniao Co., Ltd. (the “Company”, together with its subsidiaries, the “Group”) for the year ending 31 December 2013 (the “Profit Forecast”) and set out in the prospectus issued by the Company dated 10 December 2013 (the “Prospectus”).

We have discussed with you the bases and assumptions made by the directors of the Company as set out in Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated 10 December 2013 addressed to yourselves and ourselves from KPMG, Certified Public Accountants, Hong Kong, 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, Certified Public Accountants, Hong Kong, we are of the opinion that the Profit Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully

CITIC Securities Corporate Finance (HK) Limited
Darren Leung
Executive Director

This appendix contains a summary of the laws and regulations in respect of taxation and foreign exchange in the PRC and Hong Kong.

TAXATION IN THE PRC

Corporate Income Tax

The Corporate Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**EIT Law**”) and the Implementation Rules for the EIT Law (中華人民共和國企業所得稅法實施條例), both of which came into force on 1 January 2008, impose a uniform corporate income tax rate of 25% on enterprises, both domestic and with foreign investment.

On 26 December 2007, the State Council promulgated the Notice of the State Council on Transitional Preferential Policy For Implementing Corporate Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知), whereby enterprises enjoying preferential tax rates under the relevant tax laws and administrative regulations and the enterprises income preferential tax policy as stipulated by competent documents with administrative regulatory force are subject to the following measures during transition:

- (1) As from 1 January 2008, enterprises that have enjoyed preferential tax rates shall be taxed at rates to be increased from the current rate to the full rate under the EIT Law within a period of 5 year. Among them, for enterprises enjoying corporate income tax of 15%, the tax rate of 18%, 20%, 22%, 24% and 25% will take effect in 2008, 2009, 2010, 2011 and 2012, respectively; for enterprises enjoying enterprises income tax of 24%, the tax rate of 25% takes effect from 2008 onwards.
- (2) As from 1 January 2008, enterprises enjoying fixed-term preferential tax treatment under relevant enterprises income tax, such as the “2 years tax exemption and 3 years 50% tax reduction” and the “5 years tax exemption and 5 years 50% tax reduction” will continue to enjoy the preferential tax treatment until expiry of the relevant fixed term according to relevant tax law, administrative regulations and preferential measures stipulated in the relevant document after the promulgation of the EIT Law. For enterprises not yet enjoyed preferential tax treatment, as profits have not yet been realized, the relevant term for enjoying preferential tax treatment shall be calculated commencing from 2008.

The enterprises entitled to benefit from the transitional preferential policies referred to above shall be enterprises established prior to 16 March 2007 that are registered with an administrative authority such as the administration of industry and commerce.

Business Tax

Pursuant to the Provisional Regulation on Business Tax of the PRC (中華人民共和國營業稅暫行條例) promulgated on 13 December 1993 by the State Council and amended on 5 November 2008, and the Implementation Rules for Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例實施細則) promulgated on 18 December 2008 and amended on 28 October 2011, all entities and individuals that engage in provision of taxable service, transfer of intangible asset or sale of immovable property within the territory of the PRC shall pay the business tax in accordance with PRC laws and regulations. The business tax rates vary from 3 to 20 percent based on the taxable items.

Value-added Tax

Pursuant to the Provisional Regulations on Value Added Tax of the PRC (中華人民共和國增值稅暫行條例) promulgated by the State Council on 13 December 1993 and amended on 5 November 2008, and its implementation rules which were revised on 28 October 2011, all entities and individuals in the PRC engaging in the sale of goods, processing and repair and replacement services, and import of goods are required to pay value added tax for the added value derived from the process of manufacture, sale or services. Except for some limited circumstances in which the value added tax rate is 13%, the general rate of value added tax is 17% for those engaging in sale of goods, processing and repair and replacement services, and import of goods.

City Maintenance and Construction Tax and Educational Surtax

Pursuant to the Circular of the State Council on Unifying the System of City Maintenance and Construction Tax and Education Surtax Paid by Domestic and Foreign Invested Enterprise and Individual (國務院關於同意內外資企業和個人城市維護建設稅和教育費附加制度的通知) promulgated on 18 October 2010, the Provisional Regulations on City Maintenance and Construction Tax of the PRC (中華人民共和國城市維護建設稅暫行條例) promulgated in 1985, the Tentative Provisions on Levy of Educational Surtax (徵收教育費附加的暫行規定) promulgated in 1986 by the State Council, and rules, regulations and policies on city maintenance and construction tax and educational surtax promulgated since 1985 by the State Council and the competent financial departments shall also be applicable to foreign invested enterprises, foreign enterprises and foreigners from 1 December 2010.

In accordance with the Provisional Regulations on City Maintenance and Construction Tax of the PRC promulgated on 8 February 1985 and amended on 8 January 2011, any enterprise or individual liable for consumption tax, value added tax and business tax shall also be required to pay city maintenance and construction tax. City maintenance and construction tax shall be based on the amount of consumption tax, value added tax and business tax actually paid by the taxpayer and shall be levied simultaneously. The rate of city maintenance and construction tax shall be 7% for the taxpayer in the city, and shall be 5% for the taxpayer in the county or town, and shall be 1% for the taxpayer not in the city, county or town.

Pursuant to the Tentative Provisions on Levy of Educational Surtax promulgated on 28 April 1986 and last amended on 8 January 2011, unless those entities pay rural educational surtax in accordance with the Circular of the State Council on Raising Education Funds for Rural School (國務院關於籌措農村學校辦學經費的通知), any other entities or individuals liable for consumption tax, value added tax and business tax shall also be required to pay educational surtax. The educational surtax rate is 3%, and the educational surtax shall be based on the amount of consumption tax, value added tax and business tax actually paid by the taxpayer and shall be levied simultaneously.

Land Use Tax

Pursuant to the Provisional Regulations Governing Land Use Tax in Cities and Towns of the PRC (中華人民共和國城鎮土地使用稅暫行條例) promulgated on 27 September 1988 and first amended on 31 December 2006 and then on 8 January 2011, entities and individuals which use land within the boundaries of cities, counties, towns operated under an organisational system and mining industrial districts must pay land use tax. Calculation of land use tax shall be based on the actual area of land used by the taxpayer and shall be levied in accordance with the stipulated tax rate.

Stamp Tax

In accordance with the Provisional Regulations of the PRC on Stamp Tax (中華人民共和國印花稅暫行條例) promulgated on 6 August 1988 and amended on 8 January 2011, and the Detailed Rules of Implementation of the Provisional Regulations of the PRC on Stamp Tax (中華人民共和國印花稅暫行條例實施細則) promulgated on 29 September 1988, all enterprises and individuals creating and obtaining taxable documents within the PRC shall pay stamp tax. The list of taxable documents includes purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents contractual in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by the Ministry of Finance. The items and rates of stamp tax shall be implemented in accordance with the List of Items and Rates of Stamp Tax (印花稅稅目稅率表) attached in the Provisional Regulations of the PRC on Stamp Tax.

TAXES APPLICABLE TO SHAREHOLDERS OF COMPANIES**Dividend-related Tax**

According to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation rules, an individual is ordinarily subject to a PRC individual income tax levied at a flat rate of 20%. For a foreign individual shareholder who is not a PRC resident, pursuant to the Circular on the Individual Income Tax Matters after the Repeal of Circular Guo Shui Fa No. [1993]045 (Guo Shui Han No. [2011]348) issued by the State Administration of Taxation (“**SAT**”) on 28 June 2011 (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號)), the receipt of dividends on the H-Shares is subject to a withholding tax ranging from 5% to 20% (usually 10%) depending on the applicable tax treaty between the PRC and the jurisdiction in which the foreign national resides. For foreign residents of jurisdictions that have not entered a tax treaty with the PRC, the tax rate on dividends is 20%.

Under the EIT Law and its implementation rules, non-resident enterprises having no office or premises inside the PRC or whose income has no actual connection to its office or premises inside the PRC are subject to corporate income tax at the rate of 10% on their income derived from the PRC. Under the Circular on Issues Concerning Withholding and Remitting Corporate Income Tax for Dividends Received by Overseas Non-resident Enterprise Shareholders of H-Shares from Chinese Resident Enterprises (Guo Shui Han No. [2008]897 (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知(國稅函[2008]897號))) issued by the SAT on 6 November 2008, corporate income tax at a flat rate of 10% is levied on dividends on H-shares received by any overseas enterprise shareholders that are non-PRC residents. The Response to Issues Concerning Corporate Income Tax over Dividend of B-Shares and Other Shares Received by Non-resident Enterprises (Guo Shui Han No. [2009]394) (關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆(國稅函[2009]394號)) issued by the SAT on 24 July 2009 further provides that any PRC resident enterprise that publicly issues A-shares, B-shares or overseas shares on stock exchanges in or outside the PRC, such as H Shares, shall withhold corporate income tax at the rate of 10% from dividends distributed by them to non-resident enterprises.

Investors who do not reside in the PRC but reside in jurisdictions that have entered into treaties for the avoidance of double taxation with the PRC may be entitled to a reduction or exemption of the withholding tax imposed on dividends received from a PRC-resident enterprise. The PRC currently has treaties for the avoidance of double taxation with a number of jurisdictions, which include Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. The PRC also has an arrangement for the avoidance of double taxation with Hong Kong.

Share Transfer-related Tax

Under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises.

Under the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (Cai Shui Zi [1998]No. 61) (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知(財稅字[1998]61號)) issued by the Ministry of Finance and the SAT on 30 March 1998, from 1 January 1997 onwards, income of individuals from the transfer of shares in listed enterprises continues to be exempted from individual income tax. After the latest amendment to the Individual Income Tax Law of the PRC on 1 September 2011 and the latest amendments to its implementation rules on 1 September 2011, the SAT has not stated whether it will continue to exempt from individual income tax income derived by individuals from the transfer of listed shares. However, the Ministry of Finance, the SAT and the CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知(財稅[2009]167號)) on 31 December 2009, which states that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except for the shares of certain specified companies under certain situations which are subject to sales limitations (as defined in such Circular and its supplementary notice issued on 10 November 2010). As at the latest practicable date, no legislation has expressly provided that individual income tax shall be collected from non-Chinese resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges, such as our H Shares, and in practice the taxation administrations do not collect individual income tax on such income.

Under the EIT Law and its implementation rules, non-resident enterprises are generally subject to corporate income tax at the rate of 10% with respect to their income derived from the sale of shares of PRC companies. However, as at the latest practicable date, no legislation has expressly provided that corporate income tax shall be collected from non-resident enterprises on their income derived from sale of the shares in PRC companies listed on overseas stock exchanges, while the possibility cannot be entirely excluded that taxation administrations will collect corporate income tax on such income in practice.

Overseas investors that reside in jurisdictions that have entered into treaties for the avoidance of double taxation with the PRC may be entitled to exemption from any income tax imposed by the PRC tax authorities on their income derived from sale of the shares in PRC-resident companies depending on the specific provisions as set forth in the applicable tax treaties. The PRC has an arrangement for the avoidance of double taxation with Hong Kong. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the 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), a PRC resident enterprise which distributes dividends to its Hong Kong shareholders shall pay income tax according to PRC law, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds not less than 25% equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be not more than 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall be not more than 10% of the distributed dividends.

In addition, pursuant to the Circular of the State Administration of Taxation on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaty (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the SAT on 20 February 2009, all of the following requirements shall be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (a) such a tax resident who obtains dividends shall be a company as provided in the tax treaty; (b) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reach a specified percentage; (c) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Pursuant to the Administrative Measures for Non-residents to Enjoy Treatment under Tax Treaties (Trial) (非居民享受稅收協定待遇管理辦法(試行)) which came into effect on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) wishes to enjoy the tax treatment under the tax treaty, it shall apply for approval to or file with the competent tax authority for record because the preferential tax treatment is not automatically applicable. Without approval or record filing, the non-resident enterprise shall not enjoy the tax treatment in the tax treaty.

FOREIGN EXCHANGE CONTROL IN THE PRC

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. The State Administration of Foreign Exchange (“SAFE”), under the authority of the People’s Bank of China (“PBOC”), administers all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 29 January 1996, the State Council promulgated the Regulation of Foreign Exchange of the PRC (中華人民共和國外匯管理條例) (the “**Foreign Exchange Regulations**”) which became effective on 1 April 1996. The Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. The Foreign Exchange Regulations were subsequently amended on 14 January 1997 and on 1 August 2008. This latest amendment affirmatively states that the State shall not restrict international current account payments and transfers.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the “**Settlement Regulations**”) which took effect on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯暫行規定) and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On 21 July 2005, the PBOC announced that the PRC would implement the managed floating exchange rate regime with effect from the same day, and exchange rates are determined based on market supply and demand with reference to a basket of currencies. The exchange rate of RMB is no longer pegged to the US dollar. The PBOC will announce the closing prices of foreign currencies (such as the US dollar) to RMB in the interbank foreign exchange markets after the closing of the markets on each working day, so as to determine the central parity for RMB trading on the next working day.

On 5 August 2008, the State Council promulgated the amended the Regulations on Foreign Exchange Administration of the PRC (中華人民共和國外匯管理條例) (the “**Amended Regulations on Foreign Exchange**”) which made significant changes on the supervisory system for foreign exchange in the PRC. Firstly, the Amended Regulations on Foreign Exchange adopted balanced treatment on the inflow and outflow of foreign capital. Incomes in foreign currencies overseas can be remitted to the PRC or remained overseas, and foreign currencies of capital account items and funds for settlement in foreign currencies can only be used according to the purposes approved by relevant competent authorities and foreign exchange administration. Secondly, the Amended Regulations on Foreign Exchange improved the RMB exchange mechanism based on market supply and demand. Thirdly, the Amended Regulations on Foreign Exchange enhanced the monitoring of cross-border capital flow in foreign currencies, whereby the state could implement necessary protection or controlling measures when material imbalance of income and expenses related to cross-border trading arise or might arise, or serious crises in the domestic economy occur or might occur. Fourthly, the Amended Regulations on Foreign Exchange enhanced the regulation and administration on foreign currency trading, and granted extensive authorisation to the SAFE to enhance its supervisory and administrative capacity.

Foreign exchange revenue in respect of current account items may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Before retaining foreign exchange revenue under the capital account or selling it to any financial institution operating a foreign exchange sale or settlement business, the approval of the competent foreign exchange administrative authorities shall be obtained, unless otherwise provided by the State.

Enterprises that require foreign exchange for recurring activities such as trading and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents. Where an enterprise requires foreign exchange for the payment of dividends, such as the distribution of profits by a foreign-invested enterprise to its foreign investor, then, subject to the due payment of taxes on such dividends, the amount required for the payment of dividends may be withdrawn from funds in foreign exchange accounts maintained with designated banks and, where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks.

Convertibility of foreign exchange in respect of capital account items, including direct investments and capital contributions, is still subject to restrictions, and prior approval from the SAFE must be obtained.

When conducting foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determine the applicable exchange rate.

According to the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Exchange Control Administration on Oversea Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) issued by SAFE on January 28, 2013, after shares of domestic companies get listed on foreign stock exchange, domestic shareholders of such companies, who would like to dispose of, or purchase, shares trading on the foreign stock exchange, shall apply to the relevant local foreign exchange administration of the city where they reside for registering of their shares of such companies trading on the foreign stock exchange.

Pursuant to 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》) promulgated by SAFE on 21 October 2005 and becoming effective on 1 November 2005 (“**Notice 75**”), a PRC domestic resident engaged in financing by way of equity issue or convertible bond outside the PRC with the assets or interests within the PRC through overseas special purpose vehicle shall apply to register with the local branch of foreign exchange administration for foreign exchange registration of overseas investments. PRC domestic resident refers to a resident with PRC passport or PRC identification card or an individual who does not have a legal status in the PRC but “habitually” resides in the PRC for economic reasons.

As advised by Zhong Lun Law Firm, our PRC legal advisers, the Company is a joint stock limited liability company established in the PRC but not an overseas special purpose vehicle as defined under Notice 75. Therefore, Notice 75 is not applicable to our Shareholders and our Shareholders do not have to apply for foreign exchange registration according to Notice 75.

This appendix sets out summaries of certain aspects of the PRC legal and judicial system, its arbitration system and its company and securities regulations. It also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between Company Law and Companies Ordinance, certain requirements of the Hong Kong Listing Rules and the Mandatory Provisions.

1. PRC LAWS AND REGULATIONS

(a) The PRC legal system

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (hereinafter referred to as the “Constitution”) and is made up of written laws, administrative regulations, local regulations and rules, autonomy regulations and separate rules and regulations of State Council departments, rules and regulations of local governments and international treaties of which the PRC Government is a signatory. Court judgments do not constitute legally binding precedents, although they may be used for judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the “Legislation Law”), the National People’s Congress (“NPC”) and the standing committee of the NPC (the “Standing Committee”) are empowered to exercise the legislative power of the State. The NPC enacts and amends basic laws governing criminal offences, civil affairs, the State organs and other matters. The Standing Committee enacts and amends laws other than those that shall be formulated by the NPC, and during the period of adjournment of the NPC, the Standing Committee may partially supplement and amend the laws enacted by the NPC, but not in contradiction to the basic principles of such laws. The State Council is the highest organ of state administration and enacts administrative regulations based on the Constitution and laws. The people’s congresses at the provincial level and their standing committees may, in light of the specific circumstances and actual needs of their respective administrative areas, enact local regulations, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The ministries and commissions of the State Council, the PBOC, the National Audit Office of the PRC as well as other state organs endowed with administrative functions directly under the State Council may, according to laws, administrative regulations, decisions and orders of the State Council, formulate ministerial rules within their authorities. The people’s governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities. The people’s congresses of the national autonomous regions have the power to enact autonomous regulations and separate regulations on the basis of the political, economic and cultural characteristics of the local nationalities that reside in the area.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations, and rules. The significance of administrative regulations is greater than that of local regulations and rules. The significance of local regulations is greater than that of the

rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee has the power to annul any administrative regulation that contravenes the Constitution and laws, to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or local regulation which has been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

The power to interpret laws is vested in the Standing Committee by the Constitution. According to Resolutions of the Standing Committee on Improving Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on 10 June 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the Standing Committee shall provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and supervisory authorities. In case where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the supervisory authorities under the people's governments of provinces, autonomous regions and municipalities directly under the Central Government.

(b) The PRC judicial system

According to the Constitution and the Law of Organisation of the People's Courts of the PRC (《中華人民共和國人民法院組織法》) (hereinafter referred to as the "Law of Organisation of the People's Courts"), the People's Courts consist of the Supreme People's Court, the local people's courts, the military courts and other special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts, and other special divisions, such as the intellectual property division, where necessary.

The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The people's procuratorates also have the power to exercise legal supervision over the litigation proceedings of people's courts at the same level or below. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the people's courts at all levels.

The people's courts have adopted a "second instance as final" appellate system. A party may appeal against a judgment or ruling by the people's court of first instance to the people's court at the next higher level prior to the judgment or the ruling of the first instance is legally effective. The judgment or the ruling of the second instance by the people's court at the next higher level is final and legally binding. First judgments or rulings by the Supreme People's Court are final as well. However, in the case that the Supreme People's Court or the people's court at a higher level finds definite error(s) in the legally effective judgment or ruling by the people's court at a lower level, or the presiding judge of the people's court finds definite error(s) in the legally effective judgment by the court over which he/she presides, the case may then be retried in accordance with the judicial supervisory procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (hereinafter referred to as the "Civil Procedure Law") sets forth provisions for the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a local court in the defendant's place of domicile. The parties to a contract may, by express agreement, select a court of jurisdiction where civil actions may be brought, provided that the court of jurisdiction is located in the places which have actual connection with the dispute, including either the plaintiff's or the defendant's place of domicile, or the place of execution or implementation, or the place of the object of the action, and provided that the provisions of the Civil Procedure Law regarding jurisdiction by level and exclusive jurisdiction shall not be violated.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. Should the judicial system of a foreign country limits the litigation rights of PRC citizens or enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country. If any party to a civil action refuses to comply with a legally effective judgment or ruling by a people's court or an effective award by an arbitration tribunal in the PRC, the other party may apply to the people's court for the compulsory enforcement of the judgment, ruling or award. However, specific time limits are imposed on the right to apply for such compulsory enforcement. The time limit for the submission of an application for enforcement shall be two years. The suspension or termination of the time limit for the submission of an application for enforcement shall be governed by the provisions on the suspension or termination of the statute of limitation.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognised and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country on the mutual recognition and enforcement of judgments and rulings, or if the judgment or ruling satisfies the court's examination based on the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in the violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons related to the public interests.

(c) The PRC Company Law, Special Regulations and Mandatory Provisions

On 29 December 1993, the Company Law of the PRC was adopted by the standing committee of the Eighth NPC, which came into effect on 1 July 1994 and was amended for the first time on 25 December 1999, the second time on 28 August 2004 and the third time on 27 October 2005. The newly amended Company Law of the PRC (hereinafter referred to as the new "Company Law") came into effect on 1 January 2006.

The Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (hereinafter referred to as the "Special Provisions") were adopted at the 22nd Standing Committee Meeting of the State Council on 4 July 1994. The Special Provisions was formulated according to Article 85 and Article 155 of the Company Law and applies to the overseas share subscription and listing of joint stock limited companies.

The Mandatory Provisions in Articles of Association of Joint Stock Limited Companies to be Listed Overseas (hereinafter referred to as the "Mandatory Provisions") were promulgated by the former Securities Commission of the State Council and the State Economic System Restructuring Commission on 27 August 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association (which are summarized in Appendix VI).

(i) General provisions

A "joint stock limited company" (hereinafter referred to as "a company") is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company must conduct its business in accordance with law and professional ethics. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liability associated with the debts of the invested enterprises.

(ii) Incorporation

A company may be incorporated by promotion or public subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC.

A company incorporated by promotion is one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, unless otherwise provided, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or specific persons.

The Company Law provides that for companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for industry and commerce; the initial capital contribution by all promoters of a company shall not be less than 20% of the registered capital, and the remaining shall be paid up within two years by the promoters from the date of incorporation of the company. For investment companies, the remaining shall be paid up within five years from the date of incorporation of the company. For companies incorporated by way of public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant administrative bureau for industry and commerce.

The registered capital of a company at a minimum should be RMB5 million. Pursuant to the Securities Law, the total capital of a company which proposes to apply for its shares to be listed on a stock exchange shall not be less than RMB30 million.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been completely paid up, and shall give notice to all subscribers or make a public announcement of the date of the inaugural meeting 15 days prior to the meeting. The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. Matters to be dealt with at the inaugural meeting include adopting the draft articles of association proposed by the promoters and electing the board of directors and the Board of Supervisors of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the relevant administrative bureau for industry and commerce and a business licence has been issued.

The promoters of a company shall individually and jointly be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

(iii) Share capital

The promoters of a company may make capital contributions in cash, or in kind that can be valued in currency and transferable according to laws such as intellectual property rights or land-use rights based on their appraised value, provided that the amount of capital contribution in cash by all shareholders shall not be less than 30% of the company's registered capital.

There is no limit under the Company Law as to the percentage of shares held by an individual shareholder in a company. If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency.

Pursuant to the Special Regulations and the Mandatory Provisions, overseas listed shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan are defined as overseas-listed-foreign-invested shares, and those issued to investors within the PRC other than the aforementioned areas are defined as domestic shares. Qualified Foreign Institutional Investors (“QFII”) approved by China Securities Regulatory Commission (hereinafter referred to as “CSRC”) may hold domestic listed shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Detailed measures shall be specified by the State Council based on the Special Regulations. The share offering price may be equal to or in excess of par value, but shall not be less than par value. The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by laws or by administrative regulations. Bearer shares are transferred by delivery of the H share certificates to the transferee.

No modification registration shall be made to the registrar of shareholders within twenty (20) days prior to the shareholders' meeting being held or within five (5) days prior to the benchmark date set for the purpose of distribution of dividends.

(iv) Increase in capital

Pursuant to the Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for above-mentioned conditions of obtaining approval at the general meeting required by the Company Law, the Securities Law requires the following conditions for a company to offer new shares to the public: (i) a complete and well-operated organisation; (ii) capability of making profits continuously and a healthy financial status; (iii) no false records or significant irregularities in its financial statements over the last three years; (iv) fulfill any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council.

The public offer requires the approval of the securities administration authority of the State Council. After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

(v) Reduction of share capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures stipulated by the Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of general meeting registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in newspapers within 30 days once the resolution approving the reduction in capital being passed;
- creditors of the company may require the company to clear its debts or provide guarantees covering the debts within the statutory time limit; and
- the company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction in registered capital.

(vi) Repurchase of shares

A company shall not purchase its own shares other than for the following purposes:

- to reduce the registered capital by cancelling its shares or to merge with another company holding its shares;
- to grant shares as a reward to the staff of the company;
- to purchase the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting; or
- other purposes permitted by laws and administrative regulations.

The shares repurchased by the company as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any fund for the repurchase shall be paid out of after-tax profits of the company, and the shares repurchased shall be transferred to the staff of the company within one year. The Mandatory Provisions stipulate that upon obtaining approvals from relevant supervisory authorities in accordance with the articles of association of the company, a company may, for the aforementioned purposes, repurchase its issued shares by way of a general offer to its shareholders or purchase on a stock exchange or through on-market contract.

(vii) Transfer of shares

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder shall transfer his/her shares in stock changes established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement or in any other manner specified in applicable laws and regulations.

Shares held by the promoter(s) of a company shall not be transferred within one (1) year from the date of incorporation of the company. Shares issued by a company prior to the public offer of its shares shall not be transferred within one (1) year from the date of its shares being listed on a stock exchange. Directors, supervisors and senior management personnel of the company shall not transfer over 25% of the total shares they hold in the company each year during their term of office, and shall not transfer any share of the company held by each of them within one (1) year from the listing date.

(viii) Shareholders

The articles of association of a company set forth the shareholders' rights and obligations and are binding on all the shareholders. Pursuant to the Company Law and the Mandatory Provisions, a shareholder's rights include:

- the right to attend in person or appoint a representative to attend the shareholders' general meeting and to vote in respect of the amount of shares held;
- the right to transfer his/her shares in accordance with applicable laws and regulations as well as the articles of association;
- the right to inspect the company's articles of association, shareholders' registers, records of short-term debentures, minutes of shareholders' general meeting, board resolutions, supervisor resolutions and financial accounting reports, and to put forward proposals or raise questions on the business operations of the company;
- if a resolution approved by the shareholders' general meeting or by the board of directors violates any law or regulation, or infringes on the shareholders' lawful rights and interests, the right to institute an action in a people's court demanding that the illegal infringing action be stopped;
- the right to receive dividends based on the number of shares held;
- the right to obtain surplus assets of the company upon its termination in proportion to shares he/she holds; to claim against other shareholders who abuse their rights of shareholders for the damages; and
- any other shareholders' rights specified in the articles of association.

The obligations of shareholders include: abide by the articles of association of the company; pay the subscription monies in respect of shares subscribed for; be liable for debts and liabilities of the company to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up; no abuse of shareholders' rights to damage the interests of the company or other shareholders of the company; no abuse of the independent status of the company as a legal person and its limited liability companies as to damage the interests of the creditors of the company; and any other obligation specified in the articles of association of the company.

(ix) Shareholders' general meeting

The shareholders' general meeting is the organ of authority of a company, which exercises its functions and powers in accordance with the Company Law.

The shareholders' general meeting exercises the following functions and powers:

- to decide on operational policies and investment plans of the company;
- to elect or remove the directors and supervisors who are not representatives of the employees;
- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or the supervisors;
- to review and approve annual financial budgets and financial accounts proposed by the company;
- to review and approve proposals for profit distribution and for recovery of losses of the company;
- to decide on increase and reduction of the registered capital of the company;
- to decide on bond issuances of the company;
- to decide on merger, division, dissolution and liquidation of the company and other issues;
- to amend the articles of association of the company; and
- other functions and powers specified in the articles of association of the company.

The annual shareholders' general meeting must be convened once a year. An extraordinary shareholders' general meeting shall be held within two months after the occurrence of any of the following circumstances:

- the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the articles of association of the company;

- the losses of the company which are not made up reach one-third of the total paid-up share capital of the company;
- as requested by a shareholder holding, or shareholders holding in aggregate, 10% or more of the shares of the company;
- when deemed necessary by the board of directors;
- as suggested by the board of supervisors; or
- other matters required by the articles of association.

The shareholders' general meeting shall be convened by the board of directors and shall be presided over by the chairman of the board of directors.

The notice to convene the shareholders' general meeting shall be dispatched to all the shareholders 20 days before the general meeting pursuant to the Company Law, and 45 days before the general meeting pursuant to the Special Regulations and the Mandatory Provisions, stating the matters to be reviewed at the general meeting. Under the Special Regulations and the Mandatory Provisions, shareholders intending to attend are required to send written confirmations of their attendance to the company 20 days before the general meeting.

According to the Special Regulations, at the annual shareholders' general meeting of the company, shareholders with 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions to be reviewed at the general meeting, which if within the functions and powers of the shareholders' general meeting, are required to be added to the agenda of the general meeting. Shareholders present at the shareholders' general meeting possess one vote for each share they hold. However, the company shall have no vote for any of its own shares the company holds. Resolutions proposed at the shareholders' general meeting shall be approved by more than half of the voting rights cast by shareholders present in person (including those represented by proxies) at the general meeting, except that such resolutions as merger, division or reduction of registered capital, the issue of bonds or short-term debentures, the change in the form of the company or the amendment to the articles of association, shall be approved by shareholders with more than two-thirds of the voting rights cast by shareholders present (including those represented by proxies) at the general meeting.

A shareholder may entrust a proxy to attend a shareholders' general meeting. The proxy shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorisation scope. There is no specific provisions in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting, although the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting, and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class.

Holders of domestic invested shares and holders of overseas-listed-foreign-invested shares are deemed to be different classes of shareholders for this purpose.

Directors

A company shall have a board of directors, which shall consist of five to nineteen members. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms upon re-election.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting.

Under the Company Law, the board of directors exercises the following functions and powers:

- to convene the shareholders' general meeting and report on its work to the shareholders;
- to implement the resolution of the shareholders' general meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to prepare plans for the merger, division or dissolution of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors could be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorisation for another director to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offence, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who are former directors, factory managers or managers of a company or enterprise that has been bankrupt and has been liquidated due to mismanagement, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license; or
- persons who have a relatively large amount of debt due and outstanding; or other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to):

- to preside over shareholders' general meetings and convene and preside over meetings of the board of directors;
- to check on the implementation of the resolutions of the board of directors.

The legal representative of a company, in accordance with the company's articles of association, may be the chairman, any executive director or the manager, but the Mandatory Provisions require that the legal representative of the company be the chairman. The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI) contains further elaborations of such duties.

(x) Supervisors

A company shall have a Board of Supervisors composed of not less than three members. Each term of office of a supervisor is three years, and the supervisors may hold consecutive terms upon re-election. The Board of Supervisors is made up of shareholders representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

The Board of Supervisors exercises the following functions and powers:

- check the financial affairs of the company;
- supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior manager who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;
- require the director or senior manager to make corrections if his act is detrimental to the interests of the company;
- propose the convening of extraordinary shareholders' general meetings, and to convene and preside over shareholders' meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' meetings;
- put forward proposals at shareholders' general meetings;
- initiate actions against directors or senior management; and
- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

(xi) Managers and senior officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company's annual business and investment plans;
- formulate plans for the establishment of the company's internal management structure;
- formulate the basic administration system of the company;
- formulate the company's internal rules;
- recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);
- attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management personnel of a company include the financial officers, secretary of the board of directors and other executives as specified in the articles of association of the company. The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management personnel of a company have been incorporated in the Articles of Association (a summary of which is set out in Appendix VI).

(xii) Duties of directors, supervisors, managers and senior officers

Directors, supervisors, managers and other senior officers of a company are required under the Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. Each director, supervisor, manager and senior officer of a company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company unless permitted by the relevant laws and regulations or by the shareholders.

Any directors, supervisors, managers and other senior officers who contravenes any laws, regulations or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, manager and other senior officers of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

(xiii) Finance and accounting

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the responsible financial department of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited and verified as provided by law.

A company shall make available its financial statements at the company for the inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders. A company established by the public subscription method must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve (except where such reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders' meeting or the shareholders' general meeting, the company may make an allocation to a discretionary common reserve from the after-tax profits. If the aggregate balance of the company's statutory surplus reserve is not enough to make up for the losses of the company of the previous year, the current year's profits shall first be used for making good the losses before the statutory surplus reserve is set aside according to the provisions of the preceding paragraph.

After the losses have been made up and statutory surplus reserves have been set aside, the remaining profits shall be distributed to shareholders in proportion to the number of shares held by shareholders as in the case of a joint stock limited company, except as otherwise provided in the articles of association.

The capital common reserve of a joint stock limited company is made up of the premium over the nominal value of the shares of the company on issue, and other amounts required by the financial department of the State Council to be treated the capital reserve.

The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company, but the capital reserve shall not be used for making up the company's losses. Where the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve shall not be less than 25% of the registered capital after such conversion.

(xiv) Appointment and retirement of auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

(xv) Distribution of profits

The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas-listed-foreign-invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

(xvi) Amendments to articles of association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies' approval department of the State Council and CSRC. In relation to matters involving the company's registration, the company shall modify its registration with the companies' registration authority.

(xvii) Dissolution and liquidation

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the People's Court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the Company Law, a company shall be dissolved in any of the following events:

- (1) the term of its operations set down in the company's articles of association has expired or events of dissolution specified in the company's articles of association have occurred;
- (2) the shareholders in a general meeting have resolved to dissolve the company;
- (3) the company is dissolved by reason of its merger or demerger;
- (4) the company is subject to the revocation of business license, a closure order or dismissal in accordance with laws; or

- (5) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the People's Court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 days from the date of dissolution. Members of the liquidation committee shall be appointed by the shareholders in the general meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the People's Court for its establishment. The liquidation committee shall notify the company's creditors within 10 days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- notify creditors or issue public notices;
- deal with and settle any outstanding business of the company;
- pay any tax overdue;
- settle the company's financial claims and liabilities;
- handle the surplus assets of the company after its debts have been paid off; and
- represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the Shareholders of the company in proportion to the number of Shares held by them.

A company shall not engage in operating activities unrelated to the liquidation. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the People's Court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the relevant supervisory department for verification. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of the liquidation committee is liable to indemnify the company and its creditors with respect to any loss arising from his willful or material default.

(xviii) Overseas listing

The shares of a company could be listed on overseas stock exchange after obtaining approval from CSRC. In accordance with the Circular on Relevant Issues Concerning Enterprises' Application for Overseas Listing issued by the China Securities Regulatory Commission ("CSRC") (中國證券監督管理委員會關於企業申請境外上市有關問題的通知, the "1999 Circular") issued in 14 July 1999, domestic companies were required to achieve the following requirements for overseas listings: (a) an annual after-tax profit of at least RMB60,000,000 for the latest year; (b) net assets of not less than RMB400,000,000; (3) a fundraising size of not less than US\$50 million based on a reasonably expected price/earnings ratio.

The 1999 Circular was replaced by the Regulatory Guidelines for the Application Documents and Examination Procedures for Overseas Share Issuance and Listing by Joint Stock Companies (關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引, the "New Guidelines") which was issued on 20 December 2012, and came into force on 1 January 2013. The New Guidelines abolished the foregoing thresholds and stipulate that all joint stock companies legally incorporated under Company Law are entitled to apply to the CSRC for overseas share issuance and listing.

Under the New Guidelines, a PRC domestic company may submit its primary overseas listing application to overseas regulatory authorities and stock exchanges after the CSRC has accepted its overseas listing application for processing, and may submit its official application to overseas regulatory authorities and stock exchanges for hearing after CSRC has examined and approved its overseas listing application. The approval from the CSRC is valid for 12 months from the issuance date.

The SAFE promulgated the Circular on Certain Issues Concerning the Foreign Exchange Administration for Overseas Listings (國家外匯管理局關於境外上市外匯管理有關問題的通知) on 28 January 2013. A domestic company shall go through formalities of foreign exchange registration with the relevant exchange authority for the overseas listing within 15 business days after its initial public offerings.

(xix) Loss of H share certificates

A shareholder may apply, in accordance with the relevant provision set out in the PRC Civil Procedure Law, to a people's court in the event that H share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in Appendix VI).

(xx) Suspension and termination of listing

The new and amended Company Law has deleted provisions governing suspension and termination of listing. The new Securities Law has been amended as follows: the trading of shares of a company on a stock exchange may be suspended if so decided by the securities administration department of the State Council (the new Securities Law has renamed this as the Securities Exchange) under one of the following circumstances:

- (1) the registered capital or shareholding distribution no longer complies with the necessary requirements for a listed company;
- (2) the company failed to make public its financial position in accordance with the requirements or there is false information in the company's financial report with the possibility of misleading investors;
- (3) the company has committed a major breach of the law;
- (4) the company has incurred losses for three (3) consecutive years; or
- (5) other circumstances as required by the listing rules of the relevant stock exchange(s).

Under the Securities Law, in the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange in the case described in (1) above, or the company has refused to rectify the situation in the case described in (2) above, or the company fails to become profitable in the next subsequent year in the case described in (4) above, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

The Company Law provides that the securities administration department of the State Council may also terminate the listing of a company's shares in the event that the company resolves to cease operation or is so instructed by its government supervisory body, or the company is declared bankrupt. In such event, the Securities Law would regard this as "other circumstances as required by the listing rules of the relevant stock exchanges."

(xxi) Merger and demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

(d) Securities law and other relevant regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of Shares and disclosure of information by our Company. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for co-coordinating the drafting of securities regulations, formulating securities

related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory body of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking research and analysis. In 1998, the State Council consolidated the Securities Committee and the CSRC, and the CSRC has taken the original functions of the Securities Committee since then.

On 25 December 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Liability Companies. These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information related to joint stock limited liability companies with domestically listed foreign shares.

The Securities Law took effect on 1 July 1999 and was revised for the first time as at 28 August 2004 and for the second time on 27 October 2005. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a company must obtain prior approval from the State Council's regulatory authorities to list shares outside the PRC. Article 239 of the Securities Law provides that specific measures with respect to shares of companies in the PRC that are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

(e) Arbitration and enforcement of arbitral awards

The Arbitration Law of the People's Republic of China (the "Arbitration Law") was passed by the Standing Committee on 31 August 1994 and became effective on 1 September 1995. It is applicable to contract disputes and other property disputes between natural person, legal person and other organisations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in a company's Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of the directors and supervisors, to the effect that whenever any disputes or claims arise between holders of H Shares and the company; holders of H Shares and the directors, supervisors, manager or other senior officers; or holders of H Shares and holders of domestic shares, with respect to any disputes or claims in relation to the companies affairs or as a result of any rights or obligations arising under its Articles of Association, the PRC Company Law or other relevant laws and administrative

regulations, such disputes or claims shall be referred to arbitration. Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim shall comply with the arbitration. Disputes with respect to the definition of shareholders and disputes related to a company's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties.

2. HONG KONG LAWS AND REGULATIONS

(a) Summary of Material Differences Between Hong Kong and PRC Company Law

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. Our Company, which is a joint stock limited company established in the PRC, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of the material differences between the Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

(i) *Corporate existence*

Under the Companies Ordinance, a company having share capital, is incorporated and will acquire an independent corporate existence after the Registrar of Companies of Hong Kong issuing a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance the articles of association of a private company incorporated in Hong Kong shall contain provisions restricting the transfer of its shares, e.g. pre-emptive provisions. A public company's articles of association ought not to contain such restrictive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company must have a minimum registered capital of RMB5 million, or a higher amount as may otherwise be required by laws and regulations. Under the PRC Company Law, the monetary contributions by all the shareholders must not be less than 30% of the registered capital.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company. There is no minimum monetary contribution restriction on a Hong Kong company under Hong Kong law.

(ii) Share capital

Under Hong Kong law, the authorised share capital of a Hong Kong company is the amount of share capital which the company is authorised to issue and a company is not bound to issue the entire amount of its authorised share capital. The authorised share capital may be larger than its issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorised share capital other than registered capital. The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase in registered capital must be approved by the shareholders in a general meeting and by the relevant PRC governmental and regulatory authorities when applicable.

Under the PRC Law, a company which is authorised by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets that may be valued in currency and lawfully transferable. For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. The monetary contribution shall not be less than 30% of a joint stock limited company's registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

(iii) Restrictions on shareholding and transfer of shares

Under PRC law, the domestic shares in the share capital of a joint stock limited liability company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the State, PRC legal and natural persons. The overseas listed foreign shares issued by a joint stock limited liability company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, except as otherwise permitted under the Trial Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors (合格境內機構投資者境外證券投資管理試行辦法), may only be subscribed and traded by investors from Hong Kong Special Administrative Region, the Macau Special Administrative Region, Taiwan or any country and territory outside the PRC.

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Hong Kong Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be

transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law.

(iv) Financial assistance for acquisition of shares

Although the PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under the company law in Hong Kong.

(v) Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VI.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of a Hong Kong company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Our Company (as required by the Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic shares are defined in the Articles of Association as different classes of shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) the Company issues domestic shares and listed foreign invested shares, separately or simultaneously, once every 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the issued domestic shares and issued overseas listed foreign invested shares existing as of the date of the Shareholders' special resolution; (ii) the plan for the issue of domestic shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) upon approval by CSRC, the shareholders of domestic shares of the Company transfer their shares to overseas investors and such shares are listed and traded in foreign markets.

(vi) Directors

The PRC Company Law, unlike the company law in Hong Kong, does not contain any requirements relating to the declaration made by directors of the interests in material contracts; restrictions on directors' authority in making major dispositions;

restrictions on companies providing certain benefits, prohibitions against compensation for loss of office without shareholders' approval. The PRC Company Law provides restrictions on interested directors voting on the resolution at a meeting of the board of directors when such resolution relates to an enterprise which the director is interested or connected. The Mandatory Provisions, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI.

(vii) Board of Supervisors

Under the PRC Company Law, the board of directors and managers of a joint stock limited company are subject to the supervision and inspection of a board of supervisors but there is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

(viii) Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have committed a breach of their duties to the company, especially if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by the shareholders in a general meeting, or by the board of directors, that violates any law or infringes the lawful rights and interests of the shareholders. The PRC Company Law also provides that the shareholder can initiate proceedings if the director or senior management of the Company violates the law, administrative regulation or articles of association of the Company and thus infringe the shareholder's interest.

The Mandatory Provisions further provide remedies to the company against directors, supervisors and senior management in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited company applying for a listing of its foreign shares on the Hong Kong Stock Exchange is required to give an undertaking in favor of the company to comply with the company's articles of association. This allows minority shareholders to act against the directors and supervisors in default.

(ix) Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong Government may

appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that where any company encounters any serious difficulty in its operations or management so as that the interests of the shareholders will face serious loss if the company continues to exist and such difficulty cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of all the issues shares of the company may plead the people's court to dissolve the company.

The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders which is prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company.

(x) *Notice of shareholders' meetings*

Under the PRC Company Law, notice of a shareholders' general meeting must be given not less than 20 days before the meeting and notice of an extraordinary general meeting must be given not less than 15 days before the meeting, or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made at least 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum notice periods of a general meeting convened for passing an ordinary resolution and a special resolution are 14 days and 21 days, respectively. The notice period for an annual general meeting is 21 days.

(xi) *Quorum for shareholders' meetings*

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify its shareholders by public announcement and the shareholders' general meeting may be held thereafter.

(xii) *Voting*

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or

reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders present at a shareholders' general meeting.

(xiii) Financial disclosure

A company is required under the PRC Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, statements of changes in financial position and other relevant annexes 20 days before the annual general meeting of shareholders. In addition, a company established by way of public subscription under the PRC Company Law must publish its financial position. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting.

A company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

(xiv) Information on directors and shareholders

The PRC Company Law gives the shareholders of a company the right to inspect the Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports.

Under the Articles of Association, Shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

(xv) Receiving agent

Under both the PRC Company Law and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while that under the PRC law is two years.

The Mandatory Provisions require that the company should appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

(xvi) Corporate reorganisation

Corporate reorganisations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 166 of the Companies Ordinance which requires the sanction of the court. Under PRC Company Law, the merger, demerger, dissolution, liquidation or change to the forms of a company has to be approved by shareholders at general meeting.

(xvii) Arbitration of disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts.

The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC at the claimant's choice.

(xviii) Mandatory deductions

Under the PRC Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it declare any dividends after taxation. The company may not required to deposit the statutory reserve fund if the aggregate amount of the statutory reserve fund has accounted for 50% of the company's registered capital. After the company has drawn statutory reserve fund from the after-tax profits, it may, upon a resolution made by the shareholders, draw a discretionary reserve fund from the after-tax profits. There are no such requirements under Hong Kong law.

(xix) Remedies of a company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Articles of Association set out remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or officer) which are in compliance with the Mandatory Provisions.

(xx) Dividends

Pursuant to the relevant PRC laws and regulations, the company shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

(xxi) Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

(xxii) Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the Articles of Association provide, as required by the PRC Company Law and the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

(b) Hong Kong Listing Rules

The Hong Kong Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company.

(i) Compliance adviser

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results, to provide the company with professional advice on continuous compliance with the Hong Kong Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorised representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Hong Kong Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company.

It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorised representatives of the company are expected to be frequently outside Hong Kong.

(ii) Accountants' report

An accountants' report for a PRC issuer will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International

Standards on Auditing or China Auditing Standards. Such report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises.

(iii) Process agent

The Company is required to appoint and maintain a person authorised to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

(iv) Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("foreign shares") which are listed on the Hong Kong Stock Exchange, the Hong Kong Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalisation at the time of listing of not less than HK\$50,000,000. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the Company has an expected market capitalisation at the time of listing of over HK\$10,000,000,000.

(v) Independent non-executive directors and supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

(vi) Restrictions on purchase and subscription of its own securities

Subject to governmental approvals and the provisions of the Articles of Association, the Company may repurchase its own H shares on the Hong Kong Stock Exchange in accordance with the provisions of the Hong Kong Listing Rules. Approval by way of special resolution of the holders of domestic shares and the holders of H shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, the Company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Code on Takeovers and Mergers and any similar PRC law of which the directors are aware, if any.

Any general mandate given to the directors to repurchase the foreign shares must not exceed 10% of the total amount of existing issued foreign shares of the Company.

(vii) Mandatory provisions

With a view to increasing the level of protection afforded to investors, the Hong Kong Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Hong Kong Stock Exchange, of the

Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the board of supervisors of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI.

(viii) Redeemable shares

The Company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of the foreign shares are adequately protected.

(ix) Pre-emptive rights

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and foreign shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Company's articles of association, prior to (1) authorising, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (2) any major subsidiary of the Company making any such authorisation, allotment, issue or grant so as materially to dilute the percentage equity interest of the company and its shareholders in such subsidiary.

No such approval will be required, but only to the extent that, the existing shareholders of the company have by special resolution in general meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorise, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing domestic shares and foreign shares as of the date of the passing of the relevant special resolution or of such shares that are part of the company's plan at the time of its establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the CSRC; or where upon approval by securities supervision or administration authorities of State Counsel, the shareholders of domestic invested shares of the Company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

(x) Supervisors

The Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Hong Kong Listing Rules) issued by the Hong Kong Stock Exchange.

The Company is required to obtain the approval of its shareholders at a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the Company or its subsidiary: (1) the term of the contract may exceed three years; or (2) the contract expressly requires the Company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year.

The remuneration and assessment committee of the Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and its Shareholders as a whole and advise Shareholders on how to vote.

(xi) Amendment to the Articles of Association

The Company is required not to permit or cause any amendment to be made to its Articles of Association which would cause the same to cease to comply with the mandatory provisions of the Hong Kong Listing Rules and the Mandatory Provisions or the PRC Company Law.

(xii) Documents for inspection

The Company is required to make available at a place in Hong Kong for inspection by the public and its Shareholders free of charge, and for copying by Shareholders at reasonable charges the following:

- a complete duplicate register of shareholders;
- a report showing the state of the issued share capital of the Company;
- the Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- special resolutions of the Company;
- reports showing the number and nominal value of securities repurchased by the Company since the end of the last certificates year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- a copy of the latest annual return led with the Beijing Administration for Industry and Commerce; and
- for Shareholders only, copies of minutes of meetings of shareholders.

(xiii) Receiving agents

The Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

(xiv) Statements in H share certificates

The Company is required to ensure that all of its listing documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its

shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect that the acquirer of shares:

- agrees with the Company and each Shareholder of the Company, and the Company agrees with each shareholder of the Company, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;
- agrees with the Company, each Shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with the Company and each shareholder of the Company that the H Shares are freely transferable by the holder thereof; and
- authorises the Company to enter into a contract on his behalf with each Director, Supervisors, Managers and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligation to shareholders as stipulated in the Articles of Association.

(xv) Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

The Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

(xvi) Contract between the Company and its Directors, officers and Supervisors

The Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to the Company to observe and comply with the PRC Company law, the Special Regulations, the Articles of Association, the Codes on Takeovers and Mergers and Share Repurchases and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;
- an undertaking by the Director or officer to the Company acting as agent for each shareholder to observe and comply with his obligations to shareholders as stipulated in the Articles of Association;
- an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or

obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of the Company between the Company and its Directors or officers and between a holder of H Shares and a Director or officer of the Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;

- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;
- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;
- the award of the arbitral body is final and shall be binding on the parties thereto;
- the agreement to arbitrate is made by the Director or offer with the Company on its own behalf and on behalf of each shareholder; and
- any reference to arbitration shall be deemed to authorise the arbitral tribunal to conduct hearings in open session and to publish its award. The Company is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

(xvii) Subsequent listing

The Company must not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

(xviii) English translation

All notices or other documents required under the Hong Kong Listing Rules to be sent by the Company to the Hong Kong Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

(xix) General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Hong Kong Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including the Company, subject to special conditions as the Hong Kong Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Hong Kong Listing Rules to impose additional requirements and make special conditions in respect of the Company's listing.

(c) Other Legal and Regulatory Provisions

Upon the Company's listing, the provisions of the Securities and Futures Ordinance, the Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to the Company.

(d) Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend.

Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and China Taiwan.

(e) PRC Legal Matter

Zhong Lun Law Firm, our legal adviser on PRC law, have sent to us a legal opinion dated 10 December 2013 confirming that it has reviewed the summaries of relevant PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. This letter is available for inspection as referred to in "Appendix VIII – Documents Delivered to the Registrar of Companies and Available for Inspection." Any person wishing to have detailed advice on PRC law and the laws of any jurisdictions is recommended to seek independent legal advice.

This Appendix contains a summary of the principal provisions of the Articles of Association, which was adopted by our shareholders in the shareholders' general meeting held on 12 May 2013. The principal objective of this Appendix is to provide an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important.

1. DIRECTORS AND OTHER SENIOR EXECUTIVE OFFICERS

(a) Power to allot and issue shares

There is no provision in the Articles of Association empowering the Board to allot or issue shares.

In order to allot or issue shares, the Board is responsible for formulating a proposal for approval by shareholders in a general meeting by way of a special resolution. Any such allotment or issue shall be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

(b) Power to dispose of our Company's or any of its subsidiaries' assets

Before the Board is going to dispose of any of our Company's fixed assets, the Board shall not, without the approval of shareholders in a general meeting, dispose or agree to dispose of any fixed assets of our Company where the aggregate of the expected value of the fixed assets contemplated to be disposed of and the realized value of fixed assets that have been disposed of within four months immediately preceding the proposed disposition exceeds 33% of the value of our Company's fixed assets as shown in the latest audited balance sheet placed before shareholders in a general meeting.

The validity of a transaction for the disposition of fixed assets by our Company shall not be affected by a breach of the above-mentioned restriction contained in the Articles of Association.

(c) Compensation or payments for loss of office

Our Company shall, with the approval of shareholders at a shareholders' general meeting, enter into a contract in writing with each Director, Supervisor wherein his emoluments are stipulated. The aforesaid emoluments shall include:

- emoluments in respect of his service as Director, Supervisor or senior executive officers of our Company;
- emoluments in respect of his services as Director, Supervisor or senior executive officers of any of our Company's subsidiary;
- emoluments in respect of the provision of other services in connection with the management of affairs of our Company or any of its subsidiary;
- compensation for loss of office, or as consideration for or in connection with his retirement from office.

Except under a contract entered into in accordance with the foregoing, no proceedings may be brought by a Director or Supervisor against our Company for any benefit due to him in respect of the above matters. Contracts entered into by the Company with a Director or

Supervisor of our Company in connection with emoluments, shall provide that such Director or Supervisor, in the event of a takeover of our Company and subject to the approval of shareholders in a general meeting, has the right to receive compensation or other payments for loss of office or retirement from office. A takeover of the Company means either of the following circumstances:

- an offer is made to all shareholders of the Company;
- an offer is made such that the offeror will become the Controlling Shareholder of our Company (as defined in the Articles of Association).

If the relevant Director or Supervisor does not comply with the above requirements, any sum received by him shall belong to those persons who have sold their shares as a result of the offer. The expenses incurred in distributing such sum pro para amongst those persons shall be borne by the relevant Director or Supervisor and shall not be paid out of the sum to be received by him.

(d) Loans to Directors, Supervisors and other officers

Our Company shall not directly or indirectly provide a loan or loan guarantee to the Directors, Supervisors, general manager or senior management officers of our Company. Our Company is also prohibited from making any loan or loan guarantee to any connected person of such Directors, Supervisors or senior management officers.

The following transactions are not subject to the above mentioned prohibition:

- (i) the provision of a loan or loan guarantee by our Company to a subsidiary of our Company;
- (ii) the provision of a loan or a loan guarantee by our Company to any of the Directors, Supervisors, general manager or senior management officers to meet expenditure incurred or to be incurred by such Directors, Supervisors, general manager or senior management officers for the purposes of our Company or for the purpose of enabling them to adequately perform their duties as directors, supervisors, general manager or senior management officers, in accordance with the terms and conditions of their employment contracts or appointment letters approved by the shareholders in general meeting; and
- (iii) our Company may provide a loan or a loan guarantee to a Director, Supervisor, general manager, a senior management officer or his connected persons where the ordinary course of its business includes the lending money or the giving of loan guarantees, provided that the terms of the loan or the loan guarantees are on normal commercial terms.

A loan provided by our Company in breach of the prohibition described above shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

A loan guarantee provided by our Company in breach of the prohibition referred to above shall be unenforceable against our Company unless:

- (i) the loan was provided to a person connected with a Director, Supervisor, general manager, a senior management officer of our Company or its Controlling Shareholder and at the time the loan was advanced the lender did not know of the relevant circumstances of the loan and the guarantee provided, or

- (ii) the collateral provided by our Company has been lawfully disposed of by the lender to a bona fide purchaser.

For the content above, guarantee includes undertaking responsibilities as a guarantor or providing properties to secure the performance of obligations by the obligor.

Where a Director, Supervisor, general manager or other senior management officer is in breach of his obligations to our Company, our Company shall, apart from the various rights and remedies provided by laws and administrative regulations, be entitled to take the following measures:

- (1) To request the relevant Director, Supervisor, general manager or other senior management officer to pay damages for the loss suffered by our Company as a result of his negligence;
- (2) To rescind any contract or transaction entered into between our Company and the relevant Director, Supervisor, general manager or other senior management officer, and a contract or transaction entered into between our Company and a third party (if such third party knows or should have known that such Director, Supervisor, general manager or other senior management officer representing our Company is in breach of his obligations to our Company);
- (3) To demand the relevant Director, Supervisor, general manager or other senior management officer account for the profits derived as a result of the breach of his obligations;
- (4) To recover from the relevant Director, Supervisor, general manager or other senior management officer the monies which should have been received by our Company including, but not limited to, commissions; and
- (5) To request the relevant Director, Supervisor, general manager or other senior management officer to return the interest earned or may have earned from the monies which should have been payable to our Company.

(e) Financial assistance for purchasing the shares of our Company or any of Subsidiaries

Neither our Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to a person who acquires or proposes to acquire shares in our Company. The said person includes any person who has directly or indirectly incurred any liability as a result of the acquisition of shares in our Company.

Neither our Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

The following transactions are not prohibited:

- (i) the provision of the financial assistance by our Company in good faith and in the interests of our Company, and the principal purpose of that assistance is not to acquire shares of our Company or that financial assistance is an incidental part of the overall plan of our Company;
- (ii) a lawfully distribution of our Company's assets by way of dividend;
- (iii) the distribution of a dividend by way of an allotment of shares;
- (iv) a reduction of our Company's registered capital, a repurchase of shares or reorganisation of the structure of the share capital in accordance with this Articles of Association;
- (v) our Company provides a loan which is within its business scope and for the ordinary operation of its business, provided that the net assets are not thereby reduced, or to the extent that those assets are thereby reduced, the financial assistance is provided out of the distributable profits of our Company; and
- (vi) the provision of moneys by our Company for contribution to employees' share schemes, provided that our Company's net assets are not thereby reduced or to the extent that those assets are thereby reduced, the financial assistance is provided out of the distributable profits of our Company.

The above-mentioned "financial assistance" includes, without limitation to:

- (a) gift;
- (b) guarantee (including the provision of an undertaking or property to secure the performance of obligations by the obligor) or indemnity, (other than an indemnity in respect of our Company's own default) or release or waiver;
- (c) provision of a loan or a contract under which the obligations of our Company have to be fulfilled before the obligations of the other party to the contract, a change of the party to that loan or contract or the assignment of any rights thereunder; and
- (d) in any other manner when our Company is unable to pay its debts or has no net assets or where its net assets may be thereby reduced to a material extent.

The meaning of "assumed liability" includes obligations assumed by obligor as a result of entering into a contract or making arrangements (whether or not such contract or arrangement enforceable or unenforceable, and whether or not assumed by him personally or together with any other party) or by any other means whereby his financial position is changed.

(f) Disclosure of interests in contracts with our Company or any of its Subsidiaries

Where a Director, Supervisor, general manager or other senior management officer is in any way, directly or indirectly, materially interested in an existing contract, transaction or arrangement or planned contract, transaction or arrangement with our Company (other than contracts of employment), he shall disclose the nature and extent of such interests to the Board at the earliest opportunity, whether or not the relevant matter is subject to the approval of the Board of Directors.

The Director is not counted in the quorum and shall refrain from voting on the planned contract, transaction or arrangement in which he is materially interested.

Unless the interested Director, Supervisor, general manager or other senior management officer has disclosed his interest in accordance with the first paragraph of this clause of the Articles of Association and the contract, transaction or arrangement has been approved by the Board of Directors at a meeting in which the interested Director, Supervisor, general manager or other senior management officer is not counted in the quorum and has refrained from voting, our Company has the right to rescind such contract, transaction or arrangement except as against a bona fide party thereto acting without notice of the breach of such duties by the Director, Supervisor, general manager or other senior management officer. For the purposes of these provisions, a Director, Supervisor or general manager or other senior management officer is deemed to be interested in a contract, transaction or arrangement in which his related parties have interest.

If a Director, Supervisor, general manager or other senior management officer of our Company gives the Board a written notice stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements which may subsequently be entered into by our Company, then within the content stated in the notice he shall be deemed to have made a disclosure in accordance with the relevant provisions in the Articles of Association, if such notice shall have been given before our Company considered to enter into such contract, transaction or arrangement in the first time.

(g) Remuneration

The remuneration of directors must be approved by shareholders in a shareholders' general meeting. See "Directors and Other Senior Executive Officers – Compensation or payments for loss of office" above.

(h) Retirement, appointment and removal

The following persons may not serve as a Director, Supervisor, general manager or other senior management officer of our Company:

- (i) an individual who has no civil capacity or has restricted civil capacity;
- (ii) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or undermining the socialist economic order, and have been penalized due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;
- (iii) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- (iv) persons who were legal representatives of a company or enterprise which had its business license revoked and were ordered to close down due to a violation of the law and who were personally liable, where less than three years have elapsed since the date of the completion of the revocation of such business license;

- (v) persons who have failed to pay a relatively large debt when due and outstanding;
- (vi) persons who have committed criminal offences and are still under investigation by judicial authorities;
- (vii) persons who are not allowed to be heads of enterprises as stipulated by laws and administrative regulations;
- (viii) persons who are not natural persons; and
- (ix) persons who have been convicted of offences of violating provisions of the relevant securities laws and regulations or offences of fraud or acting in bad faith by the relevant authority, where less than five years have elapsed since the date of conviction.

The validity of the conduct of Directors, general managers or senior management officers who have acted on behalf of our Company with respect to third parties who have acted in good faith shall not be affected due to any irregularities in the appointment, election or qualification of such Directors, general managers or senior management officers.

The Board of Directors shall consist of eleven Directors, of which four are independent Directors.

The Board of Directors also consists of one chairman and one vice chairman, who shall be elected or removed by more than one half of all of the Directors. Directors may be elected or removed by ordinary resolution at a Shareholders' general meeting.

The term of office of the chairman, vice chairman and other Directors shall be three years and is renewable upon re-election.

A Director (without prejudice to any claim for damages under any contract) within term of office may be removed by ordinary resolution at a Shareholders' general meeting in accordance with the laws and administrative directives. The written notice of the intention to nominate a person for election as a Director and of his willingness to be elected shall be given to our Company at least seven days. The period for giving such written notice shall commence after the date our Company gives notice of the general meeting by post, and shall end not later than seven days before the date of convening the general meeting.

(i) Borrowing powers

Subject to compliance with the laws and administrative regulations of the State, our Company is entitled to raise capital and borrow money, including (without limitation) the issue of bonds, the mortgaging or pledging of part or whole of our Company's properties and other rights permitted by the laws and administrative regulations of the State provided that such action does not damage or abrogate rights of any Shareholder. The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than: (a) provisions which give the Directors the power to formulate proposals for the issuance of debentures by our Company; and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders of our Company in a general meeting by way of a special resolution.

(j) Duties

In addition to obligations imposed by laws, administrative regulations or required by the stock exchange on which shares are listed, each of our Director, Supervisor, General Manager and other executive officer owes a duty to each shareholder, in exercise of the functions and powers of our Company entrusted to him:

- (i) to exercise their power within the business scope specified by its business license;
- (ii) to act honestly in what they consider to be in the best interest of our Company;
- (iii) not to deprive in any way our Company of its assets, including (but not limited to) opportunities beneficial to our Company; and
- (iv) not to deprive shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a company reorganisation submitted in accordance with the provisions of the Articles of Association and adopted at a shareholders' general meetings.

Each of Directors, Supervisors, general manager and other senior executive officers owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each Director, Supervisor, general manager, and other senior management officer of our Company should abide by his fiduciary principles in the discharge of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to) the performance of the following:

- (i) to act honestly in what he considers to be in the best interest of our Company;
- (ii) to exercise his power within the scope specified and not to act ultra vires;
- (iii) to exercise the discretion vested in him personally and not allow himself to act under the direction and influence of another and, unless and to the extent permitted by law or informed consent by the shareholders of the relevant facts, at a general meeting, not to delegate the exercise of his discretion;
- (iv) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (v) except in accordance with the Articles of Association or with the informed consent of shareholders in general meeting, not to enter into any contract, transaction or arrangement with our Company;
- (vi) not to use our Company's assets for his personal benefit without the approval of the shareholders at a general meeting;
- (vii) not to use his position to accept bribes or other illegal income or expropriate our Company's assets in any manner, including (without limitation) opportunities beneficial to our Company;

- (viii) not without the informed consent of Shareholders in general meeting, to accept commissions in connection with our Company's transactions;
- (ix) to abide by the Articles of Association, faithfully perform his duties and protect the interests of our Company, and not to use his position and powers in our Company to seek personal gain;
- (x) not to compete with our Company in any way except with the informed consent of the Shareholders given in general meeting;
- (xi) not to misappropriate our Company's funds or lend our Company's funds to others, not to open any bank account in his own name or other name for the deposit of our Company's assets or funds, and not to provide security for debt of Shareholders of our Company or any other individuals;
- (xii) without the informed consent of Shareholders in general meeting, not to disclose confidential information of our Company acquired while in office and not to use such information other than in furtherance of the interests of our Company, save and except that disclosure of information to a court or a governmental authority is permitted where (i) the disclosure is made under compulsion of law in accordance with the relevant laws; (ii) there is a duty to the public to disclose; or (iii) the personal interests of the Director, Supervisor, general manager or other senior management officers which require the disclosure.

A Director, Supervisor, general manager or senior management officer of our Company shall not direct persons or institutions (hereinafter referred as "**associates**") to do what he is not permitted to do. A person is regarded as an associate if he is:

- (i) the spouse or minor child of such a Director, Supervisor, general manager or senior management officer;
- (ii) a trustee for such a Director, Supervisor, general manager or senior management officer or any person referred to in (i) above;
- (iii) a partner of such a Director, Supervisor, general manager or senior management officer or of any person referred to in (i) and (ii);
- (iv) a company in which that a Director, Supervisor, general manager or other senior management officer, alone or jointly with one or more persons referred to in above (i), (ii) and (iii) or with any of other Directors, Supervisors, general manager or other senior management officers of our Company, have de facto control; or
- (v) a director, supervisor, general manager or senior management officer of a company referred to in (iv) above.

The fiduciary duties of a Director, Supervisor, general manager and senior management officer of our Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of our Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time elapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and our Company are terminated.

Subject to the Articles of Association, a Director, Supervisor, general manager, or other senior management officer may be relieved of liability for specific breaches of his duty by the informed consent of shareholders in a general meeting. In addition, a Director shall not require to hold shares in the Company.

2. ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the approval authorities of the State Council and the securities regulatory authority of the State Council. If there is any change relating to the registered particulars of our Company, application shall be made for registration of the changes in accordance with law.

3. VARIATIONS OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Shareholders holding different class of shares are class shareholders.

Class shareholders shall enjoy the rights and assume the obligations stipulated by laws, administrative regulations and the Articles of Association. Our Company may not vary or abrogate rights attached to any class of shares unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association.

The following circumstances shall be deemed to be a variation or abrogation of the rights of a classified shareholder:

- (i) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or distribution rights or other privileges equal or superior to the shares of such class;
- (ii) to effect an exchange of all or part of the shares of such class into those of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;
- (iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;
- (iv) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;
- (v) to add, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of our Company of such class;
- (vi) to remove or reduce rights to receive payments from our Company in any particular currency;
- (vii) to create a new class of shares having voting or distribution rights or privileges equal or superior to the shares of such class;
- (viii) to restrict the transfer of ownership of the shares of such class or to increase any such restrictions;

- (ix) to allot and issue rights to subscribe for, or convert into, shares in our Company of such class or another class;
- (x) to increase the rights or privileges of another class;
- (xi) to restructure our Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring; and
- (xii) to vary or abrogate the provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of shareholders shall require the approval of shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions.

Written notice of a class meeting shall be given by our Company 45 days prior to the date of the meeting to notify all the registered shareholders holding shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver a written reply confirming his attendance at the class meeting to our Company 20 days prior to the date of the meeting. Our Company may proceed to hold the class meeting, provided always that the quorum for any separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of our Company's shares shall be the holders of at least one half of the issued shares of the class concerned.

Our Company can convene a class shareholders' meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend represents more than one half of the total number of such shares of our Company. If not, our Company shall make an announcement, within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, our Company may convene the class shareholders' meeting. Notice of class meetings need only be served on shareholders entitled to vote at the meetings.

Meetings of any class of shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of shareholders set out in the Articles of Association.

In addition to holders of other class shares, holders of Domestic Shares and overseas-listed foreign-invested shares are deemed to be shareholders of different classes.

Special procedures for voting by holders of different classes of Shares do not apply to the following situations:

- (i) where our Company issues, upon the approval by special resolution of its shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued Domestic Shares or overseas-listed foreign-invested shares; or

- (ii) where our Company's plan made at the time of its establishment to issue Domestic Shares and overseas-listed-foreign-invested shares is completed within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council;
- (iii) conversion of unlisted shares into foreign shares for listing and trading in an overseas stock exchange.

For the purposes of the class rights provisions of the Articles of Association, an "Interested Shareholder" is:

- (i) in the case of a repurchase of shares by offers to all shareholders or public dealing on a stock exchange, a controlling shareholder within the meaning of the Articles of Association;
- (ii) in the case of a repurchase of shares by an off-market contract, a holder of the shares to which the proposed contract relates;
- (iii) in the case of a restructure of our Company, a shareholder within a class who bears less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from the interest of the other shareholders of that class.

4. SPECIAL RESOLUTIONS – MAJORITY REQUIRED

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than the one half votes represented by shareholders (including proxies) present at the meeting must be exercised in favor of the resolution. To adopt a special resolution more than the two thirds votes represented by the shareholders (including proxies) present at the shareholders' general meeting must be exercised in favor of the resolution.

5. VOTING RIGHTS (GENERAL RIGHT ON A POLL AND RIGHT TO DEMAND A POLL)

The ordinary shareholders of our Company have the right to attend or appoint a proxy to attend shareholders' general meeting and to vote at the meeting. Shareholders (including proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to an additional vote.

6. REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

A shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Annual general meetings are held once every year within six months after the financial year end.

7. ACCOUNTS AND AUDIT

(a) Financial and accounting system

Our Company shall establish its financial and accounting systems and internal audit system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the finance regulatory authority of the State Council. The Board of

Directors of our Company shall place before the shareholders at every annual general meeting such financial reports as are required by the laws, administrative regulations or directives promulgated by competent local governments and supervisory authorities to be prepared by our Company.

Our Company's financial reports shall, at least 21 days before the date of convening the annual general meeting, be delivered by prepaid mail to the registered address of every holder of Overseas Listed Shares.

Our Company shall not keep any other books of accounts other than those provided by law. The assets of our Company must not be registered in any person's personal accounts.

(b) Appointment and removal of accountants

Our Company shall appoint an independent firm of accountants which is qualified under the relevant regulations of the State to audit our Company's annual reports and review our Company's other financial reports. The first accountants firm of our Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accountants firm so appointed shall hold office until the conclusion of the first annual general meeting. The accountants firm appointed by our Company shall hold office from the conclusion of the annual general meeting of shareholders until the conclusion of the next annual general meeting of shareholders. The shareholders in general meeting may by ordinary resolution remove an accountants firm before the expiry of its term of office, notwithstanding the stipulations in the contract between our Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accountants firm or the manner in which such remuneration is determined shall be decided by the shareholders in general meeting. Our Company's appointment of, removal of and non-reappointment of an accountants firm shall be resolved upon by the shareholders in general meeting.

Where a resolution at a general meeting of shareholders is passed to appoint an accountants firm to fill a causal vacancy in the office of an accountants firm, or to remove an accountants firm before the expiration of its term of office, the following provisions shall apply:

- (1) a copy of the proposal shall be sent to the accountants firm proposed to be appointed or proposing to leave its post or the accountants firm who has left its post, before notice of the general meeting is given to the shareholders. Leaving includes leaving by removal, resignation and retirement.
- (2) If the accountants firm leaving its post makes representation in writing and requests their notification to the shareholders, unless the representation is received too late, our Company shall:
 - (i) in the notice of the general meeting given to shareholders, state the fact of the representation having been made; and
 - (ii) send a copy of the representation as an attachment to the notice to every shareholder entitled to notice of general meeting.
- (3) If the accountants firm's representation is not sent in accordance with (2)(ii) above, the accountants firm may require that the representation be read out in the meeting.

- (4) Such accountants firm shall have the right to present its views at the following shareholders' general meetings:
 - (i) the shareholders' general meeting at which its term of office would otherwise have expired;
 - (ii) any shareholders' general meeting at which it is proposed to fill the casual vacancy caused by its removal; or
 - (iii) any shareholders' general meeting convened on its resignation.

Prior to the removal or the non-renewal of the appointment of the accountants firm, notice of such removal or non-renewal shall be given to the accountants firm and such firm shall have the right to attend and to make representation to the shareholders' general meeting. Where the accountants firm resigns its post, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of our Company.

- (1) The accountants firm may resign its office by depositing at our Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following (i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of our Company; or (ii) a statement of any such circumstances.
- (2) Where a notice is deposited under the preceding paragraph, our Company shall within fourteen days send a copy of the notice to the relevant governing authority.

If the notice contains a statement under the preceding paragraph, a copy of such statement shall be placed at our Company for shareholders' inspection. Our Company shall also send a copy of such statement by prepaid mail to every holder of H Shares at the address registered in the register of shareholders.

- (3) Where the accountants firm's notice of resignation contains a statement of any circumstance which should be brought to the notice of the shareholders or creditors of our Company, it may require the Board of Directors to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

8. NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

The shareholders' general meeting is the organ of authority of our Company and shall exercise its functions and powers in accordance with law. Our Company shall not enter into any contract with any person other than a Director, Supervisor, general manager or senior management officer whereby such person is entrusted with the management of the whole or a material part of any business of our Company without the prior approval of shareholders in general meeting.

A shareholders' general meetings are divided into annual general meetings or an extraordinary general meeting. Annual general meetings are held once every year within six months after the financial year end. An extraordinary general meeting shall be held when necessary. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

- (i) when the number of Directors is less than the number of Directors required by the Company Law or two-thirds of the number of Directors specified in the Articles of Association;
- (ii) when the unaccounted losses of our Company amount to one third of its paid up share capital;
- (iii) when shareholders holding 10% or more of our Company's issued and outstanding shares carrying voting rights request in writing the convening of an extraordinary general meeting; and
- (iv) when the Board of Directors considers necessary or upon the request of the Supervisory Board.

To convene a general meeting, our Company shall give written notices 45 days before the date of the meeting, informing all registered shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance to our Company to be received by our Company 20 days before the date of the meeting.

When our Company is to convene an annual general meeting, shareholders holding three percent or more of shares carrying voting rights shall have the right to put forward new proposals in writing to our Company. Our Company shall issue a supplementary written notice two days after receiving the new proposals. Our Company shall include such new proposals in the agenda of the general meeting for consideration by shareholders.

Our Company shall calculate, according to the written replies received 20 days before the date of the meeting, the number of shares carry voting rights that the shareholders attending the meeting represent. Our Company can convene a shareholders' general meeting if the number of shares carrying voting rights represented by shareholders intending to attend attain more of the one half of total number of shares carrying voting rights. If not, our Company shall make an announcement, within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, our Company may convene the general meeting. An extraordinary general meeting may not decide on matters not specified in the notice.

A notice of meeting of shareholders shall:

- (i) be in writing;
- (ii) specify the place, the date and the time of the meeting;
- (iii) state the matters and proposals to be discussed at the meeting;

- (iv) provide such information and explanation as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate our Company with another company, to repurchase shares of our Company, to reorganise the share capital or to restructure our Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the reasons for and consequences of such proposal must be properly explained;
- (v) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, general manager or senior management officer in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;
- (vi) contain the full text of any special resolution proposed to be passed at the meeting;
- (vii) contain conspicuously a statement that a shareholder entitled to attend and vote, and is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a shareholder; and
- (viii) specify the time and place for lodging proxy forms for the relevant meeting.

Notices of shareholders' general meetings shall be served on the shareholders (whether or not they are entitled to vote at the meeting) in any mode which is permitted by the stock exchange on which our Company's shares are listed including but not limited, by post, personal delivery to their addresses registered in the register of shareholders.

For holders of Domestic Shares, notice of shareholder's general meeting may be made by way of public announcement.

The aforementioned public announcement of notices of shareholders' general meetings shall be published in one or more newspapers designated by the securities regulatory authority of the State Council during the period from 45 to 50 days prior to the date of convening the meeting. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant shareholders' meeting. Shareholders requisitioning an extraordinary general meeting of shareholders or class meeting shall abide by the following procedures:

(i) Shareholder(s) alone or in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign a written requisition in one or more counterparts in the same form and contents, requiring the Board to convene a shareholders' extraordinary general meeting or a class meeting thereof and stating the matters to be considered at the meeting. The Board shall as soon as possible after receipt of the requisition proceeds to convene a shareholders' extraordinary general meeting or a class meeting thereof. The amount of shareholdings of the requisitioning shareholders referred to in the preceding paragraph shall be calculated as at the date of the deposit of the requisition.

(ii) If the Board fails to issue a notice of such a meeting within 30 days from the date of receipt of the requisition, the requisitioning shareholders may themselves convene such a meeting within four months of the receipt of the requisition by the Board. In so convening a meeting, the requisitioning shareholders should adopt a procedure as similar as possible as that of shareholders' general meetings to be convened by the Board.

The matters which require the sanction of an ordinary resolution at a shareholders' general meeting shall include:

- (i) the approval of working reports of the Board and the Supervisory Board;
- (ii) the approval of plans formulated by the Board for the distribution of profits and for making up losses;
- (iii) the election and removal of the members of the Board and members (being the Shareholders' representatives) of the Supervisory Board, their remuneration, allowances and mode of payment;
- (iv) the approval of our Company's budget and final accounts, balance sheets and profit and loss accounts and other financial reports; and
- (v) save as required by the laws and regulations of the PRC or by the Articles of Association, all other matters other than those required to be adopted by special resolution.

The matters which require the sanction of a special resolution at a shareholders' general meeting include:

- (i) the increase or reduction of registered share capital and the issue of shares of any class or warrants and other similar securities;
- (ii) the issue of debentures of our Company;
- (iii) the demerger, merger, termination and liquidation of our Company;
- (iv) change of the form of our Company;
- (v) the purchase or disposal of material assets or any guarantee, the amount of which exceeds 30% of the latest total assets of our Company within one year;
- (vi) amendments to the Articles of Association; and
- (vii) any matters considered by the shareholders' general meeting, resolved by way of an ordinary resolution, to be of a nature which may have a material impact on our Company as required by law, administrative regulations or the Articles of Association.

Where any shareholder is, under applicable laws, regulations and the listing rules of the place where our Company's shares are listed, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by such shareholder (or his proxy) in contravention of such requirement or restriction shall not be counted.

9. TRANSFER OF SHARES

Unless otherwise provided by laws and administrative regulations, shares of the Company shall be free from any restrictions on the right of transfer and shall also be free from all liens.

All the fully paid-up H Shares can be freely transferred in accordance with the Articles of Association. For H Shares listed on the Hong Kong Stock Exchange, unless the requirements stipulated in the Articles of Association are met, the Board of Directors may refuse to accept any transfer documents without giving any explanation for such refusal.

The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained.

10. POWER OF OUR COMPANY TO PURCHASE ITS OWN SHARES

In the following circumstances, our Company may, pursuant to the law, administrative regulations, the Listing Rules, ministerial directives and the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its outstanding shares:

- (1) cancellation of its shares for the purpose of reducing its registered capital;
- (2) merging with another company which holds the Shares;
- (3) awarding the shares as incentive compensation to the employees of our Company; and
- (4) acquiring the shares of shareholders requesting our Company to repurchase his shares due to his objection to any resolution in respect of the merger or division of our Company.

Where our Company repurchases its shares due to items (1) through (3) of the preceding paragraph, resolutions related thereto shall be adopted at a general meeting of shareholders in accordance with the Article of Association. If our Company repurchases its own shares in accordance with the preceding paragraph under the circumstances set forth in item (1), the shares so repurchased shall be cancelled within ten days of the repurchase. In the event of the circumstances set forth in items (2) and (4), the shares so repurchased shall be transferred or cancelled within six months. If our Company repurchases its own shares in accordance with item (3), the shares so repurchased shall not exceed 5% of the total issued shares of our Company; the shares so repurchased shall be transferred to the staffs of our Company within one year.

Our Company may, upon the approval of the relevant state governing authorities, repurchase its shares in one of the following ways:

- (1) making an offer of repurchase to all of its shareholders in the same portion;
- (2) repurchasing Shares through public dealing on a stock exchange; or
- (3) repurchase by an off-market agreement.

When our Company, with the prior sanction of shareholders obtained at a shareholders' meeting in accordance with the Articles of Association, repurchases its Shares, our Company may rescind or vary such contract or waive any or part of its rights under a contract so entered into by our Company with the prior approval of shareholders obtained at a shareholders' general meeting in the same manner. A contract to repurchase Shares as mentioned includes (without limitation) an agreement to become obliged to repurchase or acquire rights to repurchase shares.

Our Company shall not assign a contract to repurchase its Shares or any of its rights hereunder.

Unless our Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued Shares:

- (1) where our Company repurchases Shares of our Company at par value, payment shall be made out of book surplus distributable profits of our Company and the proceeds from any issue of new shares made for the purpose of the repurchase;
- (2) where our Company repurchases its shares at a premium to the par value, payment up to their par value shall be made out of the book surplus distributable profits of our Company and the proceeds from any issue of new shares made for the purpose of repurchase. Payment of the portion in excess of the par value shall be effected as follows:
 - (i) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of our Company; or
 - (ii) if the Shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of our Company and the proceeds from any new issue of new shares made for the purpose of repurchase, provided that the amount paid out of the proceeds shall neither exceed the aggregate of the premiums received by our Company on the issue of the shares repurchased nor the amount of the share premium account (or the capital reserve fund account) of our Company (including the premiums on the fresh issue) at the time of repurchase;
- (3) payment by our Company in consideration of the following shall be made out of our Company's distributable profits:
 - (i) acquisition of rights to repurchase the Shares;
 - (ii) variation of any contract to repurchase the Shares; or
 - (iii) release of any of our Company's liabilities under a contract to repurchase the Shares;
- (4) after our Company's registered shares capital has been reduced by the aggregate par value of the cancelled shares in accordance with the relevant regulations, the amount deducted from the distributable profits of our Company for paying up the par value portion of the shares repurchased shall be transferred to our Company's share premium account (or capital reserve account).

Where our Company has the power to repurchase for redemption a redeemable share:

- purchase not made through the market or by tender shall be limited to a maximum price;
- if purchases are by tender, tenders shall be made available to all shareholders alike.

11. POWER OF ANY SUBSIDIARIES OF OUR COMPANY TO OWN SHARES IN ITS PARENT COMPANY

The Articles of Association contains no restrictions preventing any subsidiaries of our Company from holding the Shares.

12. DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

Our Company may distribute dividends by way of cash or shares (or both). Any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared.

Cash dividend and other payments paid by our Company to the holders of Domestic Shares shall be distributed in RMB. Cash dividend and other payments paid by our Company to the shareholders of overseas listed shares shall be denominated and declared in RMB and be paid in Hong Kong dollars. Our Company shall appoint receiving agents for holders of overseas listed shares. Such agents shall receive on behalf of such shareholders dividends and other monies payable by our Company in respect of their Shares. The receiving agent appointed for holders of overseas listed shares listed in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong).

13. PROXIES

Any shareholder entitled to attend and vote at a meeting of our Company shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy to attend and vote on his behalf, and a proxy so appointed shall:

- (1) have the right to speak at the meeting;
- (2) have the right to demand, whether on his own or together with others, a poll; and
- (3) have the right to vote by show of hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a legal entity either under seal or under the hand of a director or attorney duly authorised. The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney or other authority on behalf of the appointer, a certified copy of that power of attorney or other authority shall be notarized, shall be deposited at the registered address of our Company or at such other place as is specified for that purpose in the notice convening the meeting, not less than twenty-four (24) hours before the time for holding the meeting at which the proxy proposes to vote or the time appointed for the passing of the resolution. If the appointer is a legal entity, its legal representative or such person as is authorised by resolution of its board of directors or other governing body to act as its representative may attend the general meeting of our Company as a representative of the appointer.

Any form issued to a shareholder by the Board for use by him for appointing a proxy to attend and vote at meeting of our Company shall be such as to enable the shareholder, according to his free will, to instruct the proxy to vote in favor of or against each resolution dealing with business to be transacted at the meeting. Such a form shall contain a statement

that in the absence of instructions by the shareholder the proxy may vote as he thinks fit. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no notice in writing of such matters as aforesaid shall have been received by our Company at its domicile before the commencement of the meeting at which proxy is used.

14. INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

Our Company shall keep a register of Shareholders. Our Company may, in accordance with the understanding or agreements between the securities regulatory authority of the State Council and the overseas securities regulatory organisations, maintain the register of shareholders of overseas listed shares and appoint overseas agent(s) to manage such share register. The original register of overseas-listed foreign shares listed in Hong Kong shall be maintained at Hong Kong. Duplicates of the share register for holders of foreign shares shall be maintained at our Company's domicile. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register.

If there is any inconsistency between the original and the duplicate of share register for holders of foreign Shares, the original shall prevail.

No changes which are required by reason of a transfer of Shares may be made to the register of shareholders within 30 days prior to the date of a shareholders' general meeting or five days prior to the reference date set by our Company for the purpose of distribution of dividends.

When our Company decides to convene a shareholders' general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the Board of Directors shall fix a record date for the purpose of determining the shareholding. A person who is registered in the register as shareholder of our Company at the end of the record date shall be a shareholder of our Company.

Any person who objects to what is contained in the register of shareholders and wishes to register his name on, or delete his name from, the register may apply to the court with jurisdiction to amend the register.

Shareholders holding ordinary shares of our Company enjoy the following rights:

1. the right to a copy of the Articles of Association after payment of costs;
2. the right to inspect and copy, subject to payment of a reasonable fee:
 - (1) all parts of the register of members;
 - (2) personal particulars of each of our Company's Directors, Supervisors, general manager, and other senior management officers, including:
 - (a) present name and alias and any former name and alias;
 - (b) principal address (residence);

- (c) nationality;
- (d) primary and all other part-time occupations; and
- (e) identification document and its number;
- (3) the status of our Company's share capital issued;
- (4) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of Shares repurchased by our Company since the end of the last accounting year and the aggregate amount paid by our Company for this purpose;
- (5) minutes of shareholders' general meetings; and
- (6) financial reports.

15. QUORUM FOR GENERAL MEETINGS

Our Company can convene a shareholders' meeting if the number of Shares carrying voting rights represented by shareholders intending to attend comprise more than half of the total number of Shares carrying voting rights. Our Company can convene a class shareholders' meeting, if the number of Shares of the class carrying voting rights represented by shareholders intending to attend such meeting comprise more than half of the total number of such Shares of the class.

16. RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to the obligations imposed by laws and administrative regulations or the listing rules of the stock exchange on which the Shares of our Company are listed, a controlling shareholder, when exercising his rights as a shareholder, shall not exercise his voting rights to make a decision which may detract from the interests of all or partial shareholders of our Company in respect of the following matters:

- (i) to relieve a Director or Supervisor of his duty to act honestly in the best interests of our Company;
- (ii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any way, of our Company's assets, including (without limitation) opportunities beneficial to our Company; or
- (iii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights, but not including a restructuring of our Company submitted to and approved by shareholders' general meeting in accordance with the Articles of Association.

17. PROCEDURE ON LIQUIDATION

Our Company shall be dissolved and liquidated in accordance with law upon occurrence of any of the following events:

- (i) a special resolution for dissolution is passed by a shareholders' general meeting;
- (ii) dissolution is necessary due to a merger or division of our Company;
- (iii) the business license of our Company is revoked, or our Company is ordered to close down or abolished; and
- (iv) our Company is ordered to close down because of its violation of laws or administrative regulations.

A liquidation committee shall be set up within 15 days after occurrence of the dissolution events of item (i), (iii), and starts the liquidation procedures. The liquidation committee of our Company shall comprise persons the shareholders' meeting. If the liquidation committee is not set up within the stipulated period of time, creditors may request the People's Court to designate the relevant personnel to form a liquidation committee to conduct the liquidation.

Where the Board proposes to liquidate our Company due to causes other than where our Company has declared that it is insolvent, the Board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal that, after making full inquiry into the affairs of our Company, the Board is of the opinion that our Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders in general meeting for the liquidation of our Company, all functions and powers of the Board shall cease. The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the group's receipts and payments, the business of our Company and the progress of the liquidation, and to present a final report to the shareholders general meeting on completion of the liquidation. The liquidation committee shall within ten days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement in a newspaper. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the written notice, or within 45 days after the date of the announcement in circumstance where no notice is received. The liquidation committee shall carry out registration of creditors' rights so reported.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (i) to sort out our Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (ii) to notify all creditors by notice or public announcements;
- (iii) to dispose of and liquidate any relevant unfinished business matters of our Company;

- (iv) to pay all outstanding taxes;
- (v) to settle claims and debts;
- (vi) to deal with assets remaining after our Company's debts having been paid in full;
and
- (vii) to represent our Company in any civil proceedings.

The liquidation committee shall thoroughly examine the assets of our Company, and prepare a balance sheet and an inventory of assets. Upon completion, the liquidation committee shall draw up a proposal for liquidation and submit the same to the shareholders' meeting or the relevant authorities for confirmation. If the liquidation committee, having thoroughly examined our Company's assets and having prepared a balance sheet and assets list, discovers that our Company's assets are insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of insolvency. After the People's Court has declared our Company insolvent, our Company's liquidation committee shall turn over any matters regarding the liquidation to the People's Court.

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation and a statement of the receipts and payments and financial books and records during the period of liquidation, which shall be audited by the PRC certified public accountants and submitted to the shareholders' general meeting or the relevant a competent authorities for confirmation. The liquidation committee shall also within 30 days after such confirmation, submit the documents referred to in the preceding paragraph to the company registration authority and apply for cancellation of registration of our Company, and publish an announcement relating to the termination of our Company.

18. OTHER PROVISIONS MATERIAL TO OUR COMPANY OR ITS SHAREHOLDERS

(a) General provisions

Our Company is a joint stock limited company of perpetual existence.

Our Company may invest in other enterprises; however, unless stipulated otherwise by law, it may not become an investor that bears joint and several liability for the debts of the enterprise in which it invests.

From its effective date, the Articles of Association of our Company shall be a legally binding document that regulates the rights and liabilities between our Company and the Shareholders and among the Shareholders.

Subject to the provisions of the Articles of Association, the Shareholders may sue our Company and other Shareholders, Shareholders may also sue Directors, Supervisors, general manager and other senior management officers of our Company. Our Company may sue Shareholders. For the purpose of the above paragraph, the term "sue" shall include the initiation of proceedings in a court or the application of arbitration to an arbitration organisation.

(b) Shares and transfers

Our Company may increase its capital in the following ways:

- (i) offering new shares to non-specially-designated investors for subscription;
- (ii) private issue of shares;
- (iii) allotting bonus Shares to its existing shareholders;
- (iv) conversion of capital reserve;
- (v) offering new shares to specially-designated investors for subscription; and
- (vi) any other ways permitted by laws, administrative regulations and the relevant regulatory authorities.

Our Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

Our Company may reduce its registered capital in accordance with the Company Law, other applicable regulations and the provisions of the Articles of Association. When our Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets. Our Company's registered capital after reduction shall not be less than the statutory minimum amount.

The transfer and assignment of any of the Shares shall be registered in the share registry which is designated by our Company. Subject to the approval of the securities authority of the State Council, holders of the Domestic Shares may transfer their Shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing and trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange. No special shareholders' meeting is needed to resolve the listing and trading of the transferred Shares at a foreign stock exchange.

(c) Shareholders

A shareholder of our Company is a person who lawfully holds the Shares and has his name recorded on the register of shareholders. A shareholder enjoys rights, and is subject to obligations, according to the class and number of the Shares he holds. Holders of the same class of the Shares enjoy the same rights and subject to the same obligations.

The ordinary shareholder of our Company shall enjoy the following rights:

- (i) to dividends and other distributions in proportion to the number of shares held by him;
- (ii) to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat in proportion to the number of shares held by him;

- (iii) to supervise our Company's business operations, and to present proposals and inquiries;
- (iv) to transfer, give or pledge shares held by him in accordance with the laws, administrative regulations and the Articles of Association;
- (v) to obtain relevant information in accordance with the provisions of the Articles of Association;
- (vi) in the event of the termination or liquidation of our Company, to participate in the distribution of surplus assets of our Company according to the number of shares held by him;
- (vii) in the event of a merger or division of our Company, to request our Company to purchase his shares if he objects to the merger or division;
- (viii) shareholders holding more than 3% shares of our Company alone or jointly are entitled to submit a provisional motion in writing to the Board; and
- (ix) other rights conferred by laws, administrative regulations and the Articles of Association.

Our Company shall not freeze or otherwise impair any of the rights attaching to any Share by reason only that the person or persons who are interested directly or indirectly therein have not disclosed their interests to our Company. Share certificates of our Company shall be in registered form. A Shareholder is not liable to make any further contribution to the share capital other than the terms agreed.

Share certificates of our Company shall be signed by the chairman of the Board of our Company. Where the stock exchanges on which the Shares are listed require the share certificates to be signed by some other senior management officer of our Company, the share certificates shall also be signed by such senior management officer. The share certificates shall take effect after being affixed with our Company's seal or a machine-imprinted seal of our Company provided that such seal shall only be affixed with the authority of the Board of Directors. The signatures of the legal representative or other senior management officer of our Company on the Share certificates may be printed in mechanical form.

Any person who is registered shareholder or who requests to have his name entered into the register of shareholders may, if his share certificate (the "**original certificate**") in respect of shares in our Company is lost, apply to our Company for a replacement new share certificate in respect of such shares (the "**Relevant Shares**"). If a holder of Domestic Shares loses his share certificate and applies for a new share certificate, it shall be dealt with in accordance with Article 144 of the Company Law. If a shareholder of foreign shares listed outside the PRC loses his share certificate and applies for a new share certificate, the issue of such certificate shall comply with the following requirements:

- (i) the applicant shall submit an application to our Company in the form prescribed by our Company accompanied by a notarial certificate or a statutory declaration stating the grounds upon which the application is made and the circumstances and evidence of the loss of the original certificate and declaring that no other person is entitled to be registered as a shareholder in respect of the Relevant Shares;

- (ii) before our Company decides to issue the new share certificate, no statement made by any person other than the applicant declaring that he shall be registered as a shareholder of such shares;
- (iii) if our Company decides to issue a new share certificate to the applicant, it shall make an announcement of its decision at least once every 30 days for a period of 90 days in such newspapers as may be designated by the Board;
- (iv) our Company shall have, prior to publication of its decision to issue a new share certificate, delivered to the Stock Exchange a copy of the announcement to be published. Our Company may publish the announcement upon receiving a confirmation from the Stock Exchange that the announcement has been exhibited in the premises of the Stock Exchange. The announcement shall be exhibited in the premises of the Stock Exchange for a period of 90 days. If the application for issuing a new share certificate has not been approved by the registered shareholders of the Relevant Shares, our Company shall send a copy of the announcement to be published to such shareholders by post;
- (v) if, upon expiration of the 90-day period referred to in the above (iii) and (iv), our Company has not received from any person notice of any disagreement to such replacement of share, our Company may issue a replacement new share certificate to the applicant accordingly;
- (vi) where our Company issues a replacement new share certificate under this clause, it shall immediately cancel the original share certificate and enter the cancellation and replacement issue in the register of shareholders accordingly; and
- (vii) all expenses relating to the cancellation of an original share certificate and the issue of a replacement new share certificate by our Company shall be borne by the applicant. Our Company may refuse to take any action until reasonable security is provided by the applicant for such expenses.

(d) Untraceable members

Our Company exercises power to cease sending dividend warrants by post to a holder holding foreign shares listed overseas, if such warrants have not been cashed twice in a row. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered. Our Company shall not exercise power to sell the shares of a shareholder holding foreign shares listed overseas who is untraceable unless:

- (i) during a period of 12 years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and
- (ii) on expiry of the 12 years our Company gives notice of its intention to sell the shares by way of an advertisement published in one or more newspapers and notifies the Stock Exchange of such intention.

(e) The Board of Directors

The Board of Directors shall be accountable to the general meeting of the Shareholders, and shall exercise the following functions and powers:

- (1) to convene general meetings and report on its work to the Shareholders;
- (2) to implement the resolutions of general meetings;
- (3) to decide on our Company's business plans and investment plans;
- (4) to formulate our Company's proposed annual financial budget and final accounts;
- (5) to formulate our Company's profit distribution plan and plan for making up for losses;
- (6) to formulate proposals for the increase or reduction of our Company's registered capital, the issue of corporate bonds, other securities and listing plan;
- (7) to prepare plans for material acquisition or sale, repurchase of our Company's shares, merger, demerger, dissolution or change of the form of our Company;
- (8) to decide on the establishment of our Company's internal management system;
- (9) to appoint or dismiss our Company's general manager, chief financial officer, the Board secretary and pursuant to the Nomination Committee or the general manager's nominations to appoint or dismiss vice general manager, and other senior management officers of our Company and to decide on their remuneration and benefits;
- (10) to formulate our Company's basic management system; and
- (11) to formulate plans for the amendment of the Articles of Association.

The above resolutions must be passed by a majority vote of all Directors, with the exception of items (6), (7) and (13) above which shall require the consent of more than two thirds vote of the Directors.

Meetings of the Board shall be held regularly at least four times each year and shall be convened by the Chairman of the Board of Directors. Directors and Supervisors shall be notified 14 days before the date of the meeting. A quorum will be formed by more than half of the Directors attending a Board meeting in person. If a Director is unable to attend a board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorisation. Directors attending board meetings on behalf of other directors shall exercise their power as directors within their scope of authorisation. If a Director fails to attend a board meeting and does not appoint an attorney to attend, the Director is deemed to have relinquished his rights to vote at that meeting. Each Director shall have one vote. Unless specified otherwise in the Articles of Association, resolutions of the Board of Directors must be passed by more than half of all the Directors. Where the numbers of votes cast for and against a resolution are equal, the Chairman shall have the right to cast an additional vote.

(f) Independent Directors

The Board of Directors shall include four Independent Directors at all times. The Independent Directors shall be directly accountable, and report, to the shareholders' general meeting, the securities regulatory authorities and other relevant government agencies.

(g) Secretary to the Board of Directors

The secretary to the Board of Directors shall be a natural person who has the requisite professional knowledge and experience employed and removed by the Board.

(h) Supervisory Board

Our Company shall have a Supervisory Board.

The Supervisory Board shall be composed of three members, one of whom shall be the chairman of the Supervisory Board. The term of office of supervisors shall be three years, renewable upon re-election.

The election or removal of the chairman of the Supervisory Board shall be decided by two-thirds or more of the Supervisors. The decisions of the Supervisory Board shall be made by the affirmative vote of two-thirds or more of the supervisors. The Directors and senior officer of our Company shall not act concurrently as Supervisors.

The Supervisory Board shall be accountable to the shareholders' general meeting and exercise the following functions and powers in accordance with law:

- (i) to supervise the Directors, general manager and other senior management officers in their performance of duties and to propose the removal of Directors and senior management officers who have contravened any laws, administrative regulations, the Articles of Association or shareholders' general meetings;
- (ii) to demand rectification from a Director or senior management officers of our Company who acts in a manner which is harmful to our Company's interest to rectify such behavior;
- (iii) to examine our Company's financial situation;
- (iv) to propose to convene a shareholders' extraordinary general meeting; and
- (v) other functions and powers conferred by by law, administrative regulations and the Articles of Association.

(i) General Manager

The general manager shall be accountable to the Board and exercise the following functions and powers:

- (i) to be in charge of our Company's production, operation and management and report to the Board;

- (ii) to organise the implementation of the resolutions of the Board, our Company's annual business plan and investment plan;
- (iii) to formulate our Company's annual budget, financial accounts and make suggestions to the Board;
- (iv) to formulate our Company's basic management system and internal management structure;
- (v) to formulate basic rules and regulations of our Company;
- (vi) to propose the appointment or dismissal of our Company's vice general manager and other senior management officers;
- (vii) to appoint or dismiss management personnel except for those appointed or dismissed by the Board; and
- (viii) other functions and powers conferred by the Articles of Association and the Board.

(j) Common Reserve Fund

After making up for the losses and making contributions to the common reserve fund, any remaining after tax profits (the lower of IFRS and PRC GAAP after tax profits) may be distributed to the shareholders in proportion to their respective shareholdings, except it is stipulated in the Articles of Association that profit distributions shall not be made in accordance with the shareholding proportion.

The common reserve fund of our Company shall be used to make up for its losses, increase the scale of production and operation of our Company or convert the same into the capital of our Company to increase the amount thereof, provided that the capital common reserve fund shall not be applied to making up the losses of our Company.

At the time of converting the statutory common reserve fund into registered capital, the amount retained in such common reserve fund shall not be less than 25% of the registered capital before the said conversion.

(k) Dispute Resolution

The Company shall act according to the following principles to settle disputes:

- whenever any disputes or claims arise between holders of overseas-listed foreign shares and our Company, holders of overseas-listed foreign shares and our Company's Directors, Supervisors, senior manager or other senior executive officers, or holders of overseas-listed foreign shares and holders of domestic shares, based on our Articles of Association, or any rights or obligations conferred or imposed by the Company Law, or any other relevant laws and administrative regulations concerning the affairs of our Company, such disputes or claims shall be referred by the relevant parties to arbitration. Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts

giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration provided that such person is our Company or our shareholder, Director, Supervisor, senior manager, or other senior executive officer. Disputes in relation to the identification of shareholders and disputes in relation to the share register need not be referred to arbitration.

- A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If a claimant elects arbitration at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.
- If any dispute or claim of rights is referred to arbitration, the laws of the People's Republic of China shall apply, save as otherwise provided in laws and administrative regulations.
- The award of an arbitration body shall be final and conclusive and binding on all parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY**A. Establishment**

The predecessor of our Company, Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司), was a limited liability company established on 20 November 1995 in the PRC, and on 28 July 2011, its name was changed to Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司). On 29 June 2012, the promoters of our Company approved the conversion of our predecessor from a limited liability company to a joint stock limited liability company, and on 29 June 2012, we registered with the Administration of Industry and Commerce of Fujian Province for such conversion and the change of our name to Fuguiniao Co., Ltd. (富貴鳥股份有限公司).

Our Company has obtained a certificate of registration of non-Hong Kong Company under Part XI of the Companies Ordinance issued on 22 October 2013, with a principal place of business at Room 1002, 10/F Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong. Ms. Lam Nga Sze (林雅絲), whose correspondence address is Room 1002, 10/F Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong, has been appointed as our Company's agent for the acceptance of service of process in Hong Kong. As our Company is established in the PRC, its corporate structure and the Articles of Association are subject to the relevant laws and regulations of the PRC. Summaries of the principal legal and regulatory provisions of the PRC and the Articles of Association are set out in Appendices V and VI to this prospectus.

B. Change in share capital

Our predecessor was established on 20 November 1995 with a registered capital of HK\$7,000,000, which has been fully paid up. The registered capital of our predecessor was subsequently increased to US\$38,390,000, all of which had been fully paid up. At the time of our establishment as a joint stock limited liability company, our initial registered share capital was RMB400,000,000 divided into 400,000,000 Shares of nominal value of RMB1.00 each, all of which were fully paid up.

Upon completion of the Global Offering, but without taking into account any H Shares which may be issued by our Company pursuant to the Over-allotment Option, our registered share capital will increase to RMB533,340,000, made up of 48,800,000 Domestic Shares, 351,200,000 H Shares converted from Unlisted Foreign-invested Shares and 133,340,000 H Shares issued under the Global Offering, representing approximately 9.15%, 65.85% and 25.00% of the registered share capital, respectively (assuming the Over-allotment Option is not exercised). Save as aforesaid, there has been no alteration in our share capital since our establishment.

C. Resolutions of the extraordinary Shareholders' meeting in relation to the Global Offering

On 12 May 2013 and 31 October 2013, the Shareholders approved, among other things, the following resolutions and matters:

- (a) the issue by our Company of H Shares of nominal value of RMB1.00 each up to 133,340,000 H Shares in total (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option) and such H Shares be listed on the Stock Exchange, and the issue price of the H Shares will be decided upon completion of the bookbuilding process for the Listing;
- (b) subject to the completion of the Global Offering, the Articles of Association has been approved and adopted, which shall only become effective on the Listing Date; and
- (c) authorising the Board to handle all relevant matters relating to, among other things, the implementation of issue of H Shares and the Listing.

D. Our Reorganisation

We underwent the Reorganisation, details of which are set out in the section headed "History and Corporate Structure" in this prospectus. As confirmed by Zhong Lun Law Firm, our PRC legal adviser, we have obtained all necessary approvals from relevant PRC regulatory authorities required for the implementation of the Reorganisation. These approvals include approvals from the relevant local counterparts of MOFCOM, and registration with the relevant local counterparts of SAIC and SAFE.

2. FURTHER INFORMATION ABOUT OUR SUBSIDIARIES**A. Principal subsidiaries**

Our principal subsidiaries (for the purpose of the Listing Rules) are listed in the section headed "History and Corporate Structure" and Note 1 to Section B of the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

B. Changes in the share capital of our subsidiaries

The following alterations in the registered capital of our principal subsidiaries have taken place within the two years preceding the date of this prospectus:

Hong Kong Fuguiniao

On 12 January 2012, Hong Kong Fuguiniao, a direct wholly-owned subsidiary of our Company, was incorporated as a limited liability company in Hong Kong.

On 12 January 2012, 27,000,000 shares of RMB1.00 each in Hong Kong Fuguiniao were allotted and issued, credited as fully paid, to our Company for a consideration of RMB27,000,000.

Fuguiniao Sales

On 8 March 2013, Fuguiniao Sales, a direct wholly-owned subsidiary of our Company, was established as a limited liability company in the PRC, with registered capital of RMB50 million.

3. FURTHER INFORMATION ABOUT THE BUSINESS**A. 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 our subsidiaries within the two years preceding the date of this prospectus and are or may be material:








- (a) a property transfer agreement in Chinese dated 1 January 2012 entered into between Shishi Fuguiniao and our Company, pursuant to which Shishi Fuguiniao agreed to transfer certain properties to our Company for an aggregated consideration of RMB110,355,386.35;
- (b) an equity transfer agreement in Chinese dated 13 February 2012 entered into between our Company and Shishi Fuguiniao, pursuant to which our Company transferred the entire equity interest in Quanzhou Fuguiniao to Shishi Fuguiniao for a consideration of RMB5,000,000;
- (c) an equity transfer agreement in Chinese dated 1 April 2012 entered into among our Company, Hong Kong Fuguiniao and Fuguiniao Holdco, pursuant to which each of our Company and Hong Kong Fuguiniao acquired 75% and 25% of the equity interest in Fujian Fuguiniao from Fuguiniao Holdco, for a consideration of RMB23,528,497.92 and RMB7,842,832.64, respectively;
- (d) an instrument of transfer dated 19 April 2012 entered into between Hong Kong Fuguiniao and Fuguiniao Holdco, pursuant to which Fuguiniao Holdco transferred the entire issued share capital of Hong Kong Anywalk to Hong Kong Fuguiniao for a consideration of HK\$10,000;
- (e) an assignment dated 10 May 2012 entered into between Fuguiniao Holdco and Hong Kong Fuguiniao, pursuant to which Fuguiniao Holdco agreed to assign certain property to Hong Kong Fuguiniao for a consideration of HK\$8,000,000;
- (f) a property transfer agreement in Chinese dated 28 October 2013 entered into between our Company and Shishi Fuguiniao, pursuant to which our Company agreed to transfer certain properties to Shishi Fuguiniao for an aggregated consideration of RMB107,000,000;
- (g) a property transfer agreement in Chinese dated 28 October 2013 entered into between our Company and Shishi Fuguiniao, pursuant to which our Company agreed to transfer certain properties to Shishi Fuguiniao for an aggregated consideration of RMB109,000,000;
- (h) the Deed of Non-competition;
- (i) the Deed of Indemnity;
- (j) a cornerstone investment agreement dated 5 December 2013, entered by and among our Company, Haidian-Creation International Limited, China Haidian Holdings Limited and the Joint Bookrunners pursuant to which Haidian-Creation International Limited agreed to subscribe for our H Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$15.0 million;

- (k) a cornerstone investment agreement dated 5 December 2013, entered by and among our Company, Zhejiang Haining Jiahui Investment Partnership (Limited Partnership) (浙江海寧嘉慧投資合夥企業(有限合夥)) (“Jiahui Investment”), Zhejiang Haode Jiahui Investment Management Co., Ltd. (浙江昊德嘉慧投資管理有限公司) and the Joint Bookrunners pursuant to which Jiahui Investment agreed to subscribe for such number of H Shares that may be purchased with Hong Kong dollar equivalent of US\$30.0 million at the Offer Price but subject to a maximum of such number of H Shares which shall represent 4.99% of the total issued share capital of our Company immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised); and
- (l) the Hong Kong Underwriting Agreement.

B. Our intellectual property rights

(a) Trademarks













As at the Latest Practicable Date, we have registered 194 trademarks in the PRC and the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Place of registration	Class	Registration number	Expiry date
1		PRC	18	1353099	13 January 2020
2		PRC	18	1094256	6 September 2017
3		PRC	25	3069430	20 February 2014
4		PRC	25	4838745	20 August 2019
5		PRC	25	4838747	20 August 2019
6	FGN	PRC	18	10274785	13 February 2023
7		PRC	25	10274915	6 May 2023
8		PRC	30	1426645	27 July 2020
9		PRC	25	3650563	20 February 2016
10		PRC	25	3650564	27 May 2016

APPENDIX VII

STATUTORY AND GENERAL INFORMATION




As at the Latest Practicable Date, we have registered 72 trademarks in countries and regions outside the PRC and the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Place of registration	Class	Registration number	Expiry date
1		German, Russia, France, Italy	25	647390	5 November 2015
2		German, Russia, France, Italy	25	647391	5 November 2015
3		Madrid Agreement	25	729403	23 February 2020
4		England	25	2469678	16 October 2017
5		Singapore	25	T0720800J	16 October 2017
6		Hong Kong	25	301467432	5 November 2019
7					
8		Hong Kong	25	301467441	5 November 2019
9		Hong Kong	25	301467450	5 November 2019
10		Hong Kong	18 and 25	301467469	5 November 2019
11		Hong Kong	18 and 25	301565758	17 March 2020
12		European Union	18 and 25	009272253	26 July 2020
13		England	25	2557109	30 August 2020
14		Hong Kong	18 and 25	301565785	17 March 2020
15		European Union	18 and 25	009272329	26 July 2020
16		England	25	2557108	30 August 2020
17		Hong Kong	18 and 25	301565794	17 March 2020

No.	Trademark	Place of registration	Class	Registration number	Expiry date
18	<i>AnyWalk</i>	European Union	18 and 25	009272188	26 July 2020
19		England	25	2557110	30 August 2020
20		Hong Kong	18 and 25	301565811	17 March 2020
21	安尼沃克	Hong Kong	18 and 25	301565802	17 March 2020
22		Hong Kong	18 and 25	301565839	17 March 2020
23		Hong Kong	18 and 25	301565857	17 March 2020
24		Hong Kong	18 and 25	301980027	19 July 2021
25		Hong Kong	18 and 25	301980036	19 July 2021
26		Hong Kong	18 and 25	301980045	19 July 2021
27	ENALENA	Italy	25	TO2009 C003193	21 September 2012
28		Italy	25	TO2009 C003112	21 September 2012
29		Taiwan	25	943999	31 May 2021
30	SABRINA	Russia	25	240399	27 November 2021
31	FGV	Taiwan	25	1400553	15 March 2020
32		Hong Kong	18	200016672	7 March 2017
33		Hong Kong	25	200016673	7 March 2017
34	安尼沃克	Macau	25	N/051066	29 December 2017
35		Macau	18	N/051067	29 December 2017
36		Taiwan	25	01451961	31 January 2021
37		Taiwan	18	01451969	31 January 2021
38		Philippines	18 and 25	4-2010-501246	23 August 2020
39		Singapore	25	T1010583G	17 August 2020
40		Singapore	18	T1010582I	17 August 2020

No.	Trademark	Place of registration	Class	Registration number	Expiry date
41	<i>AnyWalk</i>	Macau	25	N/051075	29 December 2017
42		Macau	18	N/051076	29 December 2017
43		Taiwan	25	01451960	31 January 2021
44		Taiwan	18	01451768	31 January 2021
45		Russia	18	441392	17 August 2020
			and		
			25		
46		Singapore	25	T1010573Z	17 August 2020
47		Singapore	18	T1010572A	17 August 2020
48		Macau	25	N/051072	29 December 2017
49		Macau	18	N/051073	29 December 2017
50		Taiwan	25	01451963	31 January 2021
51		Taiwan	18	01451771	31 January 2021
52		Philippines	18	4-2010-	23 August 2020
			and	501247	
			25		
53		Russia	18.25	441391	17 August 2020
54		Singapore	25	T1010580B	17 August 2020
55		Singapore	18	T1010578J	17 August 2020
56		Macau	25	N/051069	29 December 2017
57		Macau	18	N/051070	29 December 2017
58		Taiwan	25	01451962	31 January 2021
59		Taiwan	18	01451770	31 January 2021
60		Philippines	18	4-2010-	23 August 2020
			and	501248	
			25		
61		Russia	18	441393	17 August 2020
			and		
			25		
62		Singapore	25	T1010576D	17 August 2020
63		Singapore	18	T1010575F	17 August 2020

As at the Latest Practicable Date, 77 applications have been made for the registration of trademarks both in and outside the PRC and the following trademark applications which, in the opinion of our Directors, are material to our business:

No.	Trademark	Place of Application	Class	Application number	Application date
1		PRC	25	9971587	16 September 2011
2					
3		PRC	18	9993665	22 September 2011
4		PRC	25	9999758	23 September 2011
5		PRC	18	10007212	26 September 2011
6		PRC	25	10007620	26 September 2011

No.	Trademark	Place of Application	Class	Application number	Application date
7		PRC	18	10274753	6 December 2011
8		PRC	25	10274902	6 December 2011
9		PRC	18	10274773	6 December 2011
10		PRC	25	10274910	6 December 2011
11		PRC	25	10278060	7 December 2011
12	富 贵 鸟	PRC	18	10274825	6 December 2011
13		PRC	18	10274846	6 December 2011
14		PRC	25	10278077	7 December 2011
15	FU GUI NIAO	PRC	25	10278095	7 December 2011
16		PRC	25	10767769	13 April 2012
17		PRC	25	10813706	13 April 2012
18		PRC	25	10813727	13 April 2012
19		PRC	18	7951036	28 December 2009
20		PRC	18	7951015	28 December 2009
21		PRC	25	7954172	29 December 2009
22		PRC	25	7954176	29 December 2009
23		PRC	25	11289419	1 August 2012
24		PRC	18	11478984	11 September 2012
25		PRC	25	11483323	12 September 2012
26	FUGUINIAO	PRC	18	11478959	11 September 2012
27		PRC	25	11483286	12 September 2012
28		PRC	18	11478708	11 September 2012
29		PRC	25	11483193	12 September 2012
30		PRC	18	11483482	12 September 2012
		PRC	18	9993878	22 September 2011
31		Hong Kong	18 and 25	302602791	9 May 2013
32	FUGUINIAO	Hong Kong	18 and 25	302602782	9 May 2013

APPENDIX VII STATUTORY AND GENERAL INFORMATION

No.	Trademark	Place of Application	Class	Application number	Application date
33		Hong Kong	18 and 25	302602818	9 May 2013
34		Hong Kong	18 and 25	302602809	9 May 2013
35		Hong Kong	18 and 25	302602755	9 May 2013
36		Hong Kong	18 and 25	302602773	9 May 2013
37		Hong Kong	18 and 25	302602746	9 May 2013
38		Hong Kong	18 and 25	302602737	9 May 2013
39		Hong Kong	18 and 25	302602700	9 May 2013
40		Hong Kong	18 and 25	302602764	9 May 2013

(b) Patents

As at the Latest Practicable Date, we are the registered owner of the following patents which, in the opinion of our Directors, are material to our business:

Patent	Patent number	Place of Registration	Expiration Date
A type of shoes* (一種鞋子)	201120020652.3	PRC	21 January 2021
A type of shoes* (一種鞋子)	201120020672.0	PRC	21 January 2021
A type of boots* (一種靴子)	201120020974.8	PRC	21 January 2021
A type of boots* (一種靴子)	201120020959.3	PRC	21 January 2021
A type of boots* (一種靴子)	201120021072.6	PRC	21 January 2021
A type of shoes* (一種鞋子)	201120020961.0	PRC	21 January 2021
A type of shoes* (一種鞋子)	201120020971.4	PRC	21 January 2021
A type of boots* (一種靴子)	201120020964.4	PRC	21 January 2021

Patent	Patent number	Place of Registration	Expiration Date
A type of leather shoes for massage* (一種按摩皮鞋)	200820103369.5	PRC	11 August 2018
A type of shoes for health care* (一種保健鞋)	200820103373.1	PRC	11 August 2018
A type of leather shoes for magnet therapy* (一種磁療皮鞋)	200820103371.2	PRC	11 August 2018
A type of shoes with inseam (一種內縫線成型鞋)	200920183452.2	PRC	27 October 2019
A novel type of non-skip shoes* (一種新型防滑鞋).	200920181220.3	PRC	8 November 2019
A novel type of vein shoe-pad* (一種新型脈絡鞋墊).	200920181692.9	PRC	14 December 2019
A type of elastic leather shoes* (一種彈性皮鞋) . .	200820103370.8	PRC	11 August 2018
A type of non-skip shoes* (一種防滑鞋)	200820103372.7	PRC	11 August 2018
A type of environmental shoes with inseam* (一種環保縫線鞋)	200920181218.6	PRC	8 November 2019
A novel type of casual shoes (一種新型休閒鞋) .	200920181219.0	PRC	8 November 2019
A novel type of casual hiking shoes* (一種新型登山休閒鞋) . . .	200920181221.8	PRC	8 November 2019
A novel type of vein function shoes* (一種新型脈絡功能鞋) . . .	200920181693.3	PRC	14 December 2019
A type of shoes* (一種鞋子)	201120389122.6	PRC	12 October 2021
A type of shoes* (一種鞋子)	201120552689.0	PRC	26 December 2021
A type of shoes* (一種鞋子)	201120552702.2	PRC	26 December 2021
A type of shoes* (一種鞋子)	201120389127.9	PRC	12 October 2021
A type of shoes* (一種鞋子)	201120552724.9	PRC	26 December 2021
A type of shoes* (一種鞋子)	201120552713.0	PRC	26 December 2021
A type of boots* (一種靴子)	201120389124.5	PRC	12 October 2021
Shoe* 鞋	201130215080.X	PRC	7 July 2021
A type of shoes* (一種鞋子)	201120238731.1	PRC	7 July 2021
A type of shoes* (一種鞋子)	201120552717.9	PRC	26 December 2021

Patent	Patent number	Place of Registration	Expiration Date
A type of shoes* (一種鞋子)	201120552705.6	PRC	26 December 2021
A type of boots* (一種靴子)	201120091536.0	PRC	30 March 2021
A type of high-heeled shoes* (一種高跟鞋)	201120389115.6	PRC	12 October 2021
A type of boots* (一種靴子)	201120091548.3	PRC	30 March 2021
A type of shoes* (一種鞋子)	201120091530.3	PRC	30 March 2021
A type of shoes* (一種鞋子)	201120091523.3	PRC	30 March 2021
A type of shoes* (一種鞋子)	201120091540.7	PRC	30 March 2021
A type of shoes* (一種鞋子)	201120552726.8	PRC	26 December 2021
A type of deodorant and breathable shoe-pad* (一種除臭換氣鞋墊)	201220420947.4	PRC	22 August 2022
Shoe-pad (deodorant and breathable)* 鞋墊(除臭換氣型)	201230398358.6	PRC	20 August 2022
A type of shoes with corrective function for health care* (一種矯正及保健功能鞋)	201320241045.9	PRC	7 May 2023

As at the Latest Practicable Date, we have applied for registration of the following patent which, in the opinion of our Directors, is material to our business:

Patent	Application number	Place of application	Application date
A type of breathable shoes with massage and health care function* (一種透氣按摩保健鞋) . . .	201320557878.6	PRC	10 September 2013

4. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' service contracts

Each of our Directors and Supervisors has entered into a service contract with us on 28 November 2013. Each service contract is for a term commencing on the Listing Date and ending on the expiration of the term of the first Board of Directors or the first board of Supervisors (as the case may be), each of which is for a period of three years from 29 June 2012.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with us (other than contracts expiring or determinable by any member of the Group within one year without payment of compensation, other than statutory compensation).

B. Directors' and Supervisors' remuneration*(a) Directors*

The aggregate remuneration paid and benefits in kind granted to the Directors for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 were approximately RMB3.48 million, RMB3.52 million, RMB2.65 million and RMB0.90 million, respectively. There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 by us to the Directors.

Under the existing arrangements currently in force, the aggregate remuneration payable and benefits in kind granted to the Directors for the year ending 31 December 2013 is estimated to be approximately RMB3.47 million.

Each of the Directors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

(b) Supervisors

The aggregate remuneration paid and benefits in kind granted to the Supervisors for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 were approximately nil, nil, RMB0.23 million and RMB0.22 million, respectively. There has been no arrangement under which a Supervisor has waived or agreed to waive any emoluments for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 by us to the Supervisors.

Under the existing arrangements currently in force, the remuneration payable and benefits in kind granted to the Supervisors for the year ending 31 December 2013 is estimated to be approximately RMB0.45 million.

Each of the Supervisor is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

5. DISCLOSURE OF INTERESTS

A. Interests or short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Global Offering and taking no account of any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in any circumstance at general meetings of our Company:

Shareholder	Number of H Shares	Nature of interest	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽¹⁾
Fuguiniao Holdco ⁽²⁾	331,200,000	Beneficial owner	62.10%
Wo Hing Trading ⁽³⁾	20,000,000	Beneficial owner	3.75%
Mr. Lam Wo Ping ⁽²⁾⁽³⁾	351,200,000	Interest in a controlled corporation	65.85%
Mr. Lam Wo Sze ⁽²⁾	331,200,000	Interest in a controlled corporation	62.10%
Mr. Lam Kwok Keung ⁽²⁾	331,200,000	Interest in a controlled corporation	62.10%
Mr. Lam Wing Ho ⁽²⁾	331,200,000	Interest in a controlled corporation	62.10%

Notes:

- (1) The calculation is based on the total number of 533,340,000 Shares in issue immediately after completion of the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option).
- (2) Fuguiniao Holdco is owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho is deemed to be interested in the Shares held by Fuguiniao Holdco for the purpose of SFO.
- (3) Wo Hing Trading is wholly-owned and controlled by Mr. Lam Wo Ping and Mr. Lam Wo Ping is therefore deemed to be interested in all the Shares in which Wo Hing Trading is interested.

B. Interests and short positions of the Directors and Supervisors in the shares, underlying shares or debentures of our Company or associated corporations

Immediately following completion of the Global Offering and taking no account of any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, each of the following persons will have an interest or short position in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have 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 to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the H Shares are listed on the Stock Exchange:

(i) Interests of the Directors in the Shares of our Company

Name	Number of H Shares	Nature of interest	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽¹⁾
Mr. Lam Wo Ping ⁽²⁾⁽³⁾ . .	351,200,000	Interest in a controlled corporation	65.85%
Mr. Lam Wo Sze ⁽²⁾	331,200,000	Interest in a controlled corporation	62.10%
Mr. Lam Kwok Keung ⁽²⁾	331,200,000	Interest in a controlled corporation	62.10%
Mr. Lam Wing Ho ⁽²⁾ . . .	331,200,000	Interest in a controlled corporation	62.10%
Ms. Han Ying ⁽⁴⁾	12,000,000	Interest in a controlled corporation	2.25%

Notes:

- (1) The calculation is based on the total number of 533,340,000 Shares in issue immediately after completion of the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option).
- (2) Fuguiniao Holdco is owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho is deemed to be interested in the Shares held by Fuguiniao Holdco for the purpose of SFO.
- (3) Wo Hing Trading is wholly-owned and controlled by Mr. Lam Wo Ping and Mr. Lam Wo Ping is therefore deemed to be interested in all the Shares in which Wo Hing Trading is interested.
- (4) Ms Han Ying is deemed to be interested in the Shares held by Yuncai Investments by virtue of Yuncai Investments being controlled by her.

- (ii) *Interests of the Directors in the shares of Fuguiniao Holdco (being a holding company of our Company)*

Name	Number of shares	Nature of interest	Approximate percentage of shareholding
Mr. Lam Wo Ping	3,250	Beneficial owner	32.50%
Mr. Lam Wo Sze	2,250	Beneficial owner	22.50%
Mr. Lam Kwok Keung . .	2,250	Beneficial owner	22.50%
Mr. Lam Wing Ho	2,250	Beneficial owner	22.50%

C. Agency fees or commissions received

Within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company.

D. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or Supervisors or any of the parties listed in paragraph headed “6. Other Information – E. Qualifications of experts” of this Appendix VII is interested in the promotion of our Company, or has any direct or indirect interest 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, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of the Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business taken as a whole;
- (c) save in connection with the Underwriting Agreements, none of the parties listed in paragraph headed “6. Other Information – E. Qualifications of experts” of this Appendix VII:
 - (i) is interested legally or beneficially in the shares of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (d) as at the Latest Practicable Date, none of the Directors, Supervisors or their respective associates, or any of the Shareholders (who to the knowledge of the Directors owns more than 5% of our issued share capital) had any interest in any of our five largest suppliers and our five largest customers;
- (e) no amount, securities or benefit has been paid, allotted or given within the two years preceding the date of this prospectus to the promoter nor is any such amount, securities or benefit intended to be paid, allotted or given. None of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with our business;

- (f) none of the Directors or Supervisors has been paid in cash or shares or otherwise by any person in respect of the three years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013 as an inducement to join or upon joining the Company, or otherwise for services rendered by him in connection with the promotion or formation of our Company;
- (g) none of the Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Stock Exchange; and
- (h) none of the Directors, Supervisors or chief executives of our Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 Part XV of the SFO, any interests and short positions in the shares, underlying shares and debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the H Shares are listed on the Hong Kong Stock Exchange.

6. OTHER INFORMATION

A. Estate Duty, tax and other Indemnity

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity with our Company (for ourselves and as trustee for each of our subsidiaries) on 28 November 2013 (the “**Deed of Indemnity**”) to provide indemnities in respect of, among other matters, certain liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of certain transfers of property (by virtue of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of our Group on or before the date on which the conditions of the Global Offering are fulfilled or waived in accordance with the terms set forth in the sub-section headed “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus (the “**Relevant Date**”).

Pursuant to the Deed of Indemnity, our Controlling Shareholders have also given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, any taxation which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned or accrued or received) on or before the Relevant Date or any event occurring or deemed to occur on or before such date whether alone or in conjunction with any other event whenever occurring.

In addition, our Controlling Shareholders have also given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries against all claims, costs, expenses and losses (to the extent that provision, reserve or allowance has not been made for such claims, costs, expenses or losses in the Accounts (as defined below)) suffered by any member of our Group incurred as a result of or in connection with: (i) any advances made by our Group to related parties and the interests generated from such advances which contravened certain provisions of the PRC Lending General Provisions or any other relevant

regulations on or before the Relevant Date, or any act, omission or event occurring or deemed to occur on or before the Relevant Date, whether alone or in conjunction with other circumstances whenever occurring, (ii) the underpayment of the social insurance contribution for any employee of any member of our Group, which was not in full compliance with the applicable PRC laws and regulations on or before the Relevant Date, (iii) any non-compliance with any applicable laws and regulations in connection with the delay in payment of registered capital of any member of our Group on or before the Relevant Date, (iv) any defects in the title of any of our Group's leased property, which were leased by the Group on or before the Relevant Date or (v) any other non-compliance with any applicable laws and regulations by any member of our Group on or before the Relevant Date or any litigation, arbitration or claim of material importance against any member of our Group in relation to any matter, event or incident occurred on or before the Relevant Date.

Our Controlling Shareholders will however, not be liable under the Deed of Indemnity for taxation liability:

- (a) to the extent that provision, reserve or allowance has been made for such taxation in the audited consolidated accounts of our Company and its subsidiaries as set out in the accountants' report set out in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the three years ended 31 December 2012 and the six months ended 30 June 2013 ("**Accounts**");
- (b) for which the Company or any member of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 June 2013 up to and including the Relevant Date or consisting of our Company or any member of our Group ceasing, or being deemed to cease, to be a subsidiary of our Company for the purposes of any matter of the taxation;
- (c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Relevant Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Relevant Date with retrospective effect; or
- (d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountant acceptable to our Company then the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

B. Litigation

Save as disclosed in the paragraph headed "Legal Proceedings and Non-compliance" in the section headed "Business" in this prospectus, as at the Latest Practicable Date, we have not been involved in any litigation, arbitration or administrative proceedings of material importance, and no such other litigation, arbitration or administrative proceedings was known to the Directors to be pending or threatened against any member of our Group.

C. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

D. Preliminary expenses

The estimated preliminary expenses in relation to the conversion of our Company from a limited liability company into a joint stock limited liability company were approximately RMB2.55 million and were paid or payable by us.

E. Qualifications of experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this prospectus are as follows:

Name	Qualification
CITIC Securities Corporate Finance (HK) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Zhong Lun Law Firm	PRC legal adviser
KPMG	Certified public accountants
DTZ Debenham Tie Leung Limited	Independent property valuer

F. No material adverse change

Save as disclosed in this prospectus, the Directors have confirmed that there has been no material adverse change in our financial or trading position since 30 June 2013.

G. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as is applicable.

H. Consents

Each of CITIC Securities Corporate Finance (HK) Limited, Zhong Lun Law Firm, KPMG and DTZ Debenham Tie Leung Limited has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of any of its reports, letters, certificates or opinions and the references to its name included herein in the form and context in which they are respectively included.

I. Promoters

The promoters of our Company are Fuguiniao Holdco, Wo Hing Trading, Junding Investments, Yuncai Investments, Leading Fortune, Leading Investments, Bairui Leading, Shiji Tianfu, Shiji Caifu, Tianrui Leading and Tianguai Leading. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no

cash, security or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

J. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

K. Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of any member of our Group has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) no share or loan capital of any member of our Group is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) no member of our Group has issued or agreed to issue any founder shares, management shares or deferred shares;
- (iv) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any of the shares or loan capital of us or any of our subsidiaries;
- (v) none of our equity or debt securities is currently listed or dealt in on any other stock exchange nor is any listing or permission to deal in such securities being or proposed to be sought;
- (vi) there is no arrangement under which future dividends are waived or agreed to be waived;
- (vii) no member of our Group has issued or agreed to issue any debentures; and
- (viii) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months.

(b) We have no outstanding convertible debt securities or debentures.

(c) Our Company currently is a Sino-foreign Investment Joint Stock Limited Company (中外合資股份有限公司) and is not subject to the PRC Sino-foreign Joint Venture Law (中外合資經營企業法), but is subject to the Provisional Regulations on the Establishment of Foreign-invested Joint Stock Limited Company (關於設立外商投資股份有限公司若干問題的暫行規定).

L. Taxation of holders of H Shares

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale, purchase and transfer of the H Shares. The duty is charged on each of the seller and purchaser at the current rate of HK\$1.00 for every HK\$1,000.00 of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE** and **YELLOW** and **GREEN** Application Forms, the written consents referred to under the paragraph headed “6. Other Information – H. Consents” in Appendix VII to this prospectus, and certified copies of the material contracts referred to in the paragraph headed “3. Further Information about the Business – A. Summary of material contracts” in Appendix VII to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Orrick, Herrington & Sutcliffe at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) our Articles of Association;
- (b) the Accountants’ Report from KPMG in respect of the historical financial information of our Group, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of our Group for each of the three financial years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013;
- (d) the report on the unaudited pro forma financial information of our Group from KPMG, the text of which is set out in Appendix II to this prospectus;
- (e) the letter relating to the profit forecast from each of KPMG and the Sole Sponsor, the text of which is set out in Appendix III to this prospectus;
- (f) copies of the following PRC laws, together with unofficial English translations thereof:
 - (i) the PRC Company Law, the Mandatory Provisions and the Special Regulations;
 - (ii) the PRC Civil Procedure Law;
 - (iii) the PRC Securities Law; and
 - (iv) the PRC Arbitration Law;
- (g) the PRC legal opinions prepared by Zhong Lun Law Firm in respect of certain aspects of our Group and the property interests of our Group in the PRC and summary of PRC laws and regulations relating to our business;
- (h) the letter of opinion prepared by DTZ Debenham Tie Leung Limited in respect of the continuing connected transactions of the Group as disclosed in the section headed “Connected Transactions” in this prospectus;

APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION
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- (i) the material contracts referred to in the paragraph headed “3. Further Information about the Business – A. Summary of material contracts” in Appendix VII to this prospectus;
- (j) the written consents referred to in the paragraph headed “6. Other Information – H. Consents” in Appendix VII to this prospectus; and
- (k) the service contracts referred to in the paragraph headed “4. Further Information about the Directors and Supervisors – A. Particulars of Directors’ and Supervisors’ service contracts” service agreements in Appendix VII to this prospectus.



富貴鳥股份有限公司
FUGUINIAO CO., LTD.