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Web Proof Information Pack of



Evergreen International Holdings Limited
長興國際(集團)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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SUMMARY

OVERVIEW

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

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

During the Track Record Period, we primarily utilized two distribution channels to manage our self-owned brands: (i) our self-operated Retail Stores; and (ii) Retail Stores operated by distributors and sub-distributors. For self-operated Retail Stores, we source products and sell to end customers. For Retail Stores operated by distributors, we enter into distributorship agreements with distributors, pursuant to which they purchase products from us and then sell to end customers in general. In addition, commencing in

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2009, we started to make sales to corporate purchasers that purchased large volumes of made-to-order products from us. Sales made through this channel continued in the six months ended 30 June 2010. For further information on our distribution channels, please refer to the section headed "Business – Sales and Distribution" in this document.

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

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

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

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

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

SUMMARY

Notes:

1. The sales of *TESTANTIN* products through *TESTANTIN* self-operated Stores decreased in the year ended 31 December 2009 primarily because we launched a series of promotional events at our *TESTANTIN* self-operated Stores in Hong Kong offering 10% to 60% discounts to customers in 2009 in response to the highly competitive retail market in Hong Kong and the generally difficult economic environment in Hong Kong as a result of the global economic crisis and the closing of two *TESTANTIN* Stores in Hong Kong in late 2008. Our sales to *TESTANTIN* distributors increased in the year ended 31 December 2009 mainly because (i) the full year effect of our sales to certain other distributors in 2009 appointed in 2008 that did not operate through Retail Stores; (ii) the full-year effect in 2009 arising from the 15 newly opened *TESTANTIN* Stores operated by the distributors located in the PRC in 2008; and (iii) the number of *TESTANTIN* Stores operated by the distributors located in the PRC increased from 47 as at 31 December 2008 to 51 as at 31 December 2009. The four newly-opened *TESTANTIN* Stores in 2009 were opened in the second half of 2009 when the economic conditions after the financial crisis began to improve.
2. From August 2004 to August 2009, we acted as the sole distributor for an Italian menswear brand, Harmont & Blaine, in the PRC. The distributorship agreement for the Harmont & Blaine brand expired in August 2009. According to the distributorship agreement, we had nine months to sell the remaining stocks after the agreement was terminated. Beginning in early 2008, we started to act as an authorized dealer of CARTIER accessories sold in two CARTIER Stores, one in Fuzhou and the other in Nanning, both of which are operated by us. In September 2010, we opened our third CARTIER Store in Xiamen.
3. Our customers consisted of end customers and distributor customers. Our end customers include retail customers that purchased products directly from us through our self-operated Stores and corporate customers that purchased large volume made-to-order products directly from us through our corporate sales. Our distributor customers purchased products from us and then sell to the end customers in general.

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

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

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For details of an analysis of revenue and gross profit margin by brands, sales channels and geographical regions, please refer to the section headed "Financial Information" in this document.

Our primary focus is on managing our brands and distribution network through our branding, research, design and distribution capabilities. We enjoy the benefits of an asset-light business model as we outsource the production of most of our apparel and accessory products to Independent Third Party outsourced manufacturers. Our production facilities in Huadu District, Guangzhou in Guangdong Province primarily engage in sampling, packaging and post-finished processing of the apparel produced by our outsourced manufacturers and manufacturing a small portion of our own apparel. We have a stringent quality control system to ensure high product quality.

The apparel products that bear the *V.E. DELURE* and *TESTANTIN* labels are principally designed by our in-house design team located in Guangzhou. Designs are always developed consistently with our designated brand strategy and theme as set out in the subsection headed "Branding Strategy" in the "Business" section in this document.

Our design team keeps abreast of the latest trends and developments in new designs and types of fabric, primarily through attending fashion shows and trade exhibitions in the PRC, Italy and France, and through other means such as studying local and international fashion magazines. Our design team also works closely with our sales and marketing team to understand the latest market needs and tastes.

Our key revenue and earnings drivers during the Track Record Period included: economic growth in the PRC, urbanization in the PRC, pricing of our products and cost control measures, size of our retail network, our ability to differentiate us from our competitors, our ability to continuously maintain and enhance brand recognition and awareness, business performance of shopping malls, department stores and distributors and our working relationship with them, cost of raw materials, seasonality and weather, purchase costs of outsourced products and external production arrangements and taxation. Our Directors have confirmed that given that the Group is principally focusing on its business in the PRC market, save and except for the general market environment which affects consumers' confidence, the recent economic conditions in Hong Kong and abroad have not had a material adverse effect on our assets, business or financial position.

Beginning in early 2008, we started to act as an authorized dealer of CARTIER accessories in designated CARTIER Stores in the PRC. Each CARTIER agreement entered into with Richemont governs one of our Stores selling CARTIER accessories. The agreements do not give us exclusive licensing or distribution rights within any geographical area and we are not required to pay any royalty or minimum guaranteed fee. We purchase the accessory products directly from Richemont at the prices determined by a price list that is in force at the time of delivery and we sell the products at the recommended retail prices determined by Richemont. Certain CARTIER accessories are covered under the CARTIER international warranty. The CARTIER Stores that we operate follow the shop design directives issued by Richemont. Among other terms, we are also required to devote sufficient display area to CARTIER accessories, ensure that sales of CARTIER accessories are to end-customers and submit to regular monitoring by CARTIER

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representatives. The distributorship agreements can be terminated by Richemont if we fail to meet our obligations under the agreements. For further details of the material terms of these distributorship agreements, please refer to the section headed "Business – Branding Strategy – II. Licensed Brands – CARTIER" in this document.

In May 2010, we entered into several agreements with Admiralfly, a special purpose vehicle set up and wholly-owned by New Horizon for the purpose of investing in the Company. New Horizon is a limited liability partnership established and registered in the Cayman Islands, focusing on equity investment in China. For further details, please refer to the section headed "Financial Investor" in this document.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth our summary consolidated income statements, our summary consolidated statements of financial position and our summary consolidated statements of cash flows for the Track Record Period. Information contained in these tables were derived from our consolidated financial statements, which have been prepared in accordance with IFRS, set forth in the section headed "Appendix I – Accountants' Report" to this document.

SUMMARY

Summary Consolidated Income Statements

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
REVENUE	193,879	340,408	409,013	136,716	249,235
Cost of sales	<u>(88,190)</u>	<u>(137,053)</u>	<u>(161,141)</u>	<u>(62,358)</u>	<u>(82,311)</u>
Gross profit	105,689	203,355	247,872	74,358	166,924
Other income	2,686	2,161	2,067	788	966
Selling and distribution costs	(46,531)	(98,673)	(89,079)	(41,471)	(63,059)
Administrative expenses	(11,392)	(19,925)	(20,842)	(8,542)	(13,918)
Other expenses	(304)	(6,767)	(3,000)	(493)	(8,643)
Finance costs	<u>(1,496)</u>	<u>(5,217)</u>	<u>(6,065)</u>	<u>(3,392)</u>	<u>(3,828)</u>
PROFIT BEFORE TAX	48,652	74,934	130,953	21,248	78,442
Income tax credit/(expense)	<u>510</u>	<u>(14,456)</u>	<u>(26,035)</u>	<u>(4,547)</u>	<u>(8,099)</u>
PROFIT FOR THE YEAR/PERIOD	<u><u>49,162</u></u>	<u><u>60,478</u></u>	<u><u>104,918</u></u>	<u><u>16,701</u></u>	<u><u>70,343</u></u>
Attributable to:					
Owners of the Company	<u><u>49,162</u></u>	<u><u>60,478</u></u>	<u><u>104,918</u></u>	<u><u>16,701</u></u>	<u><u>70,343</u></u>

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Summary Consolidated Statements of Financial Position

	As at 31 December			As at 30
	2007	2008	2009	June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Current assets	188,472	272,527	365,724	498,373
Non-current assets	9,783	15,876	16,235	23,663
	<u>198,255</u>	<u>288,403</u>	<u>381,959</u>	<u>522,036</u>
Total assets	<u>198,255</u>	<u>288,403</u>	<u>381,959</u>	<u>522,036</u>
Equity and liabilities				
Current liabilities	135,629	162,410	200,168	142,166
Non-current liabilities	57	2,288	7,866	172,639
Total equity	62,569	123,705	173,925	207,231
	<u>198,255</u>	<u>288,403</u>	<u>381,959</u>	<u>522,036</u>
Total equity and liabilities	<u>198,255</u>	<u>288,403</u>	<u>381,959</u>	<u>522,036</u>

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Summary Consolidated Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from/(used in) operating activities	(53,066)	6,077	153,333	30,061	29,521
Net cash flows from/(used in) investing activities	35,839	(20,816)	(102,318)	(25,422)	70,219
Net cash flows/(used in) financing activities	<u>22,172</u>	<u>28,971</u>	<u>(53,207)</u>	<u>(16,246)</u>	<u>84,899</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,945	14,232	(2,192)	(11,607)	184,639
Cash and cash equivalents at beginning of year/period	4,927	9,830	24,042	24,042	21,850
Effect of foreign exchange rate changes, net	<u>(42)</u>	<u>(20)</u>	<u>-</u>	<u>1</u>	<u>(20)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<u><u>9,830</u></u>	<u><u>24,042</u></u>	<u><u>21,850</u></u>	<u><u>12,436</u></u>	<u><u>206,469</u></u>

DIVIDEND AND DIVIDEND POLICY

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

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

SUMMARY

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

COMPETITIVE STRENGTHS

The Directors believe our principal competitive strengths are as follows:

- A leading PRC menswear brand operator with two proprietary brands targeting different customer bases in the middle-upper to high-end market segments;
- Effective branding and marketing strategy;
- A nation-wide retail network occupying prime locations and with ample room for growth;
- A business model that strategically combines self-operated Retail Stores and distributor networks;
- High growth momentum and attractive margins;
- High quality products and stringent quality control; and
- Management's experience in managing middle-upper to high-end menswear brands.

STRATEGIES

Our aim is to become the leading brand operator in the middle-upper to high-end menswear market segments. In view of this, we will implement the following strategies:

- Expanding our retail network and sales channels;
- Increasing same store sales growth by (i) expanding product and service offerings and design capabilities and (ii) enhancing brand equity of our proprietary brands;
- Enriching our portfolio of brands;
- Enhancing our ERP system and administrative support; and
- Increasing our corporate sales.

SUMMARY

SUMMARY OF RISK FACTORS

We believe there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorized as: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to the [●].

Risks relating to our business

- We rely heavily on our *V.E. DELURE* and *TESTANTIN* brands. We may not be able to effectively promote and maintain our brands;
- We may not be able to respond in a timely manner to rapid changes in fashion trends and consumer tastes in the PRC;
- Our business may be negatively affected if our distributors fail to comply with our retail policies;
- The loss of, or significant decrease in, sales to our major distributors may have a material adverse effect on our financial condition and results of operations;
- Our ability to lease properties in suitable locations and on commercially acceptable terms may affect our expansion plans;
- We may be required to seek alternative premises and/or we may be required to pay penalties for some of our leased properties if our landlords do not have title thereto and for non-registration or change of prescribed use of some of our leased properties;
- We may not be able to monitor the retail sales price and inventory levels of our distributors;
- Our brand image and profitability may be negatively affected by actions of our outsourced manufacturers and distributors;
- We rely on our outsourced manufacturers for the production of most of our products and any material disruption to the supply of products from our outsourced manufacturers would materially and adversely affect our results of operations;
- We may be affected by intellectual property rights infringement;
- We may not be able to adequately protect our intellectual property rights;
- Fluctuations in the price, availability and quality of raw materials could cause production delays and increase production costs;
- A labor shortage or an increase in labor cost or the cost of products manufactured by outsourced manufacturers may expose us to an increase in total cost;

SUMMARY

- We may not be able to manage our rapid growth and expansion of our retail network effectively;
- We may lose our license to sell CARTIER accessories or may not be able to renew such license on commercially reasonable terms or at all;
- We are heavily dependent on certain key executives and senior management;
- Any significant disruption or damage to our administrative or production facilities could have a material adverse effect on our results of operations;
- Our inventory may become obsolete;
- We may not successfully integrate newly acquired or licensed brands and/or businesses into our business model;
- Our suppliers and outsourced manufacturers may be affected by national and local government regulations in the areas in which they operate;
- We may be exposed to product liability, property damage or personal injury claims;
- The Company's future dividend policy is subject to the discretion of the Directors;
- We may not be able to secure future financing; and
- We will not continue to receive preferential tax treatments that we currently enjoy.

Risks relating to our industry

- We face intense competition in the menswear industry in the PRC;
- Our sales volume is sensitive to seasonality effects and weather patterns;
- We may be affected by the recent global financial turmoil; and
- Our business may be affected by events that are beyond our control, such as natural disasters, outbreaks of epidemics, acts of war, terrorist acts, and social or political unrest.

SUMMARY

Risks relating to conducting operations in the PRC

- We may be affected by changes in the PRC foreign exchange regulations;
- Fluctuations in the exchange rates of the Renminbi may affect our business and results of operations;
- We may experience fluctuations in consumers' purchasing behavior caused by changes in macroeconomic conditions in the PRC; and
- Interpretation of PRC laws and regulations involves uncertainty that could adversely affect our business and results of operations and limit the legal protections available.

Risks relating to the [●]

- Certain facts and public statistics in this document may not be reliable;
- It may be difficult to effect service of process upon us or the Directors who reside in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts; and
- There are forward-looking statements in this document.

DEFINITIONS

In this document, the following expressions shall have the meanings set forth below unless the context otherwise requires.

"Adjustment"	as referred to in Clause 6 of the Subscription and SP Agreement, particulars of which are set out in the section headed "Financial Investor" in this document
"Admiralfly"	Admiralfly Holdings Limited, an investment holding company incorporated in the BVI with limited liability on 28 August 2009, which will directly hold approximately 14.26% interest of the Company upon completion of certain event (before exercise of certain option) and is wholly-owned by New Horizon
"Articles" or "Articles of Association"	the articles of association of the Company, adopted on 8 October 2010, and as amended from time to time
"associate(s)"	has the meaning ascribed thereto under [●]
"Audit Committee"	the audit committee of the Board of the Company
"Board"	the board of Directors
"Business"	means: (a) the branding, design, manufacturing and distribution of business formal and casual menswear in the PRC; and (b) any other activities which, subject to the Securityholders' Agreement, the Board decides from time to time to be carried on by the Group
"Business Day"	any day (excluding Saturdays, Sundays or public holidays) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over time
"Cayman Islands Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Chan Brothers"	Mr. Chan and Messrs. Chen Yunan and Chen Minwen, all being executive Directors

DEFINITIONS

"Company"	Evergreen International Holdings Limited 長興國際 (集團) 控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 26 June 2008
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the [●], and in the context of the Company, means Mr. Chan and Pacific Success
"Conversion"	the conversion of the Redeemable Convertible Bonds into Shares in full by Admiralfly pursuant to the Subscription and SP Agreement
"Deed of Indemnity"	the deed of indemnity dated 8 October 2010 and executed by the Controlling Shareholders in favor of the Company, particulars of which are set out in the section headed "Other information – Estate duty, tax and other indemnity" in Appendix VI to this document
"Deed of Non-Competition"	the deed of non-competition dated 8 October 2010 and executed by the Controlling Shareholders in favor of the Company, particulars of which are set out in the section headed "Relationships with the Controlling Shareholders – Deed of Non-Competition" in this document
"Definitive Agreements"	the Subscription and SP Agreement, the disclosure letter issued by the Company and Mr. Chan to Admiralfly dated 29 April 2010 and the Securityholders' Agreement
"Director(s)"	the director(s) of the Company, including all executive and independent non-executive directors, from time to time
"ERP"	Enterprise Resources Program
"Evergreen Asia"	Evergreen (Asia) Trading Company Limited 長興 (亞洲) 貿易有限公司, a company incorporated in Hong Kong with limited liability on 19 September 1997 and a wholly-owned subsidiary of Sunsonic. It is principally engaged in import and export of materials, garment products and accessories

DEFINITIONS

"Evergreen Guangdong"	長興(廣東)服飾有限公司, a company established in the PRC with limited liability on 12 May 2005 and a wholly-owned subsidiary of Evergreen International. It is principally engaged in manufacturing and sale of clothing and clothing accessories
"Evergreen International"	Evergreen International Group Limited 長興集團(國際)有限公司, a company incorporated in Hong Kong with limited liability on 18 August 2004 and a wholly-owned subsidiary of Sunsonic. It is principally engaged in investment holding and trading of garment products
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	a report we commissioned with Frost & Sullivan dated 31 August 2010 regarding menswear market in the PRC
"GDP"	gross domestic product
"Group"	the Company and its subsidiaries
"Guangzhou Changyue"	廣州市長越貿易有限公司, a company established in the PRC with limited liability on 8 June 2005 and a wholly-owned subsidiary of Evergreen Guangdong. It is principally engaged in the sale of apparel and accessories of <i>V.E.DELURE</i> brand in PRC
"Guangzhou Changzhuxing"	廣州市長珠興貿易有限公司, a company established in the PRC with limited liability on 15 January 2004 and a wholly-owned subsidiary of Evergreen Guangdong. It is principally engaged in sale of apparel and accessories of <i>TESTANTIN</i> brand and products of <i>CARTIER</i> brand
"Guangzhou Dilai"	廣州市迪萊貿易發展有限公司, a company established in the PRC with limited liability on 28 July 2000 and was deregistered in July 2010. It was beneficially wholly-owned by Mr. Chen Yunan and Mr. Chen Minwen throughout and before its deregistration
"HK\$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards

DEFINITIONS

"Independent Third Party(ies)"	a person(s) or company(ies) who/which is or are not a connected person (within the meaning of [●]) of the Company
"Latest Practicable Date"	15 October 2010, being the latest practicable date for the inclusion of information in this document
"laws"	all laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any governmental authority and "law" includes any one of them
"Master (HK)"	Master (Hong Kong) Marketing Limited 萬事達 (香港) 市場策劃有限公司, a company incorporated in Hong Kong with limited liability on 9 January 2004 and a wholly-owned subsidiary of Sunsonic. It is principally engaged in the retail and trading of apparel and accessories of <i>V.E.DELURE</i> and <i>TESTANTIN</i> brands in Hong Kong
"MOC"	The Ministry of Commerce of the PRC (中華人民共和國商務部)
"multi-brand and other distributors"	distributors which do not operate through a Retail Store dedicated solely to one of our brands
"Mr. Chan"	Mr. Chan Yuk Ming 陳育明, a Controlling Shareholder and an executive Director
"New Horizon"	New Horizon Capital III, L.P., a limited liability partnership established in the Cayman Islands on 22 September 2008. It focuses on equity investment in China and it will indirectly hold approximately 14.26% interest of the Company upon completion of certain event (before exercise of certain option)
"New Trend"	New Trend Apparel Limited 先進服飾有限公司 (formerly known as Tieshidandun Apparel Ltd. 鐵獅丹頓服飾有限公司), an inactive investment holding company incorporated in Hong Kong with limited liability on 19 February 2002 which is wholly-owned by Mr. Chan
"Pacific Success"	Pacific Success Holdings Limited (previously known as Kasino Success Holdings Limited), an investment holding company incorporated in the BVI with limited liability on 16 April 2008 which is wholly owned by Mr. Chan
"POS"	Point of sale

DEFINITIONS

"PRC" or "China" or the "People's Republic of China"	the People's Republic of China which for the purpose of this document does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Legal Advisor"	GFE Law Office, the Company's PRC Legal Advisor
"Redeemable Convertible Bonds"	the redeemable convertible bonds issued by the Company to Admiralfly in the aggregate principal amount of US\$25,000,000
"Reorganization"	the reorganization arrangements undergone by the Group, which are more particularly described in the section headed "History, Reorganization and Group Structure" in this document
"Retail Store" or "Store"	the venue or location operated by us or our distributors (excluding multi-brand and other distributors) exclusively dedicated to the sale of products under our proprietary brands or licensed brands, including, without limitation, stores, shops, boutiques, sales stalls and counters, whether stand-alone or located in a department store, a shopping mall or a shopping area in a mixed-use or multi-purpose complex or building
"Richemont"	Richemont Commercial Company Limited, a company incorporated and existing under the laws of the People's Republic of China
"Richwood"	Richwood Management Limited (瑞豐國際有限公司*), a company incorporated in the BVI with limited liability on 1 July 2004 and a wholly-owned subsidiary of Sunsonic. It is principally engaged in holding trademarks for the Group.
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"Securityholders' Agreement"	the securityholders' agreement dated 29 April 2010 and executed by Admiralfly, Pacific Success, Mr. Chan and the Company

* For identification purpose only

DEFINITIONS

"Subscription and SP Agreement"	the subscription and sale and purchase agreement dated 29 April 2010 and executed by the Company, Pacific Success, Mr. Chan and Admiralfly, as supplemented by the amendment letter dated 25 May 2010
"Supplemental Agreement"	the supplemental agreement to the Subscription and SP Agreement dated 2 August 2010 and executed by the Company, Pacific Success, Mr. Chan and Admiralfly
"Share(s)"	ordinary share(s) with nominal value of HK\$0.001 each in the share capital of the Company
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company on 8 October 2010, a summary of its principal terms is set out under the section headed "Share Option Scheme" in Appendix VI to this document
"Shareholder(s)"	the holder(s) of the Shares
"State Council"	國務院, the Central Government of the People's Republic of China which is the highest executive organ of State power, as well as the highest organ of State administration
"subsidiary(ies)"	has the meaning ascribed to it under section 2 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under [●]
"Sunsonic"	Sunsonic Holdings Limited, an investment holding company incorporated in the BVI with limited liability on 16 April 2008 and a wholly-owned subsidiary of the Company.
"Track Record Period"	the three financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively
"The Management Centre for Table Tennis and Badminton"	The Management Centre of Table Tennis and Badminton of the General Administration of Sport of China (國家體育總局乒乓球羽毛球運動管理中心)
"U.S." or "United States"	the United States of America, including its territories and possessions

DEFINITIONS

"US\$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VEDS"	VE Delure SARL, a company incorporated in France with limited liability on 22 October 2001 and a wholly-owned subsidiary of Richwood. It is principally engaged in holding trademarks for the Group.
"%"	per cent

In this document:

- "Group," "the Group," "our Group," "our," "we," "us" and "ourselves" means the Company and its subsidiaries from time to time and where the context refers to any time prior to the completion of the Reorganization;
- the terms "connected person," "controlling shareholder" and "connected transaction" shall have the meanings given to such terms in [●], unless the context otherwise requires;
- Certain amounts set out in this document have been rounded. Accordingly, figures shown as totals of certain amounts may not be an arithmetic sum of such amounts, and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.
- Unless otherwise specified, all relevant information contained in this document assume no exercise of the certain option.
- In this document, unless otherwise stated, certain amounts denominated in RMB have been translated into HK dollars and vice versa at an exchange rate of RMB1.00 = HK\$1.15, and certain amounts denominated in US\$ have been translated into HK dollars and vice versa at an exchange rate of US\$1.00 = HK\$7.78, for illustration purpose only. Such conversions shall not be construed as representations that amounts in RMB or US\$ were or may have been converted into HK dollars at such rates or any other exchange rates.
- If there is any inconsistency between the official Chinese names of PRC laws or regulations or PRC government authorities or PRC entities mentioned in this document and their English translations, the Chinese version shall prevail. English translations of official Chinese names are for identification purpose only.
- All times referred to in this document refer to Hong Kong local time.

DEFINITIONS

- In this document, our classification as a middle-upper to high-end menswear enterprise and the positioning of our *V.E. DELURE* brand as a high-end brand and the positioning of our *TESTANTIN* brand as a middle-upper brand are based on the classification of Frost & Sullivan as set out in the section headed "Industry Overview" in this document.
- In this document, "tier one cities" refer to Beijing, Shanghai and Guangzhou, "tier two cities" refer to provincial capital cities excluding Beijing, Shanghai and Guangzhou, "tier three cities" refer to prefecture-level cities excluding provincial capital cities and "tier four cities" refer to county-level cities.

FORWARD-LOOKING STATEMENTS

Forward-looking statements contained in this document are subject to risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plans of operation;
- our capital expenditure plans;
- our operations and business prospects;
- our Company's projected dividend policy;
- the regulatory environment as well as the general industry outlook of our industry;
- future development in our industry; and
- the general economic trend of China.

This document contains certain statements that are "forward-looking" and uses forward-looking terminology such as "may," "future," "plan" or "planned," "will" or "could," "would," "should," "estimates" or "estimated," "expected," "anticipates," "draft," "eventually" or "projected." Those statements include, among other things, the discussion of our growth strategies and expectations concerning our future operations, liquidity and capital resources. Forward-looking statement involves inherent risks and uncertainties and, although we believe the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions may also be incorrect. You are cautioned that a number of factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. The risks and uncertainties in this regard include those identified in the risk factors discussed below. In light of these and other risks and uncertainties, the inclusion of forward-looking statements should not be regarded as representations by the Directors that our plans and objectives will be achieved.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise any forward-looking statements in this document, 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 document 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 contained in this document are qualified by reference to this cautionary statement.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS

We rely heavily on our *V.E. DELURE* and *TESTANTIN* brands. We may not be able to effectively promote and maintain our brands

Most of our revenue during the Track Record Period were generated through sales of our *V.E. DELURE* and *TESTANTIN* brand products. Our revenue from sales of *V.E. DELURE* and *TESTANTIN* brand products were approximately RMB189.5 million, RMB314.4 million, RMB386.6 million and RMB236.8 million, representing approximately 97.8%, 92.4%, 94.5% and 95.0% of our total revenue, for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. Therefore, the *V.E. DELURE* and *TESTANTIN* brands are critical to our success. We believe that brand image is a determining factor that affects consumers purchasing decisions for menswear products. To effectively promote our brands, we strive to build and maintain our brands' image as unique and uniform. We do this by focusing on a variety of promotional and marketing activities to promote the brand image and awareness. If we are unsuccessful in promoting our brands' image or fail to maintain our brands' position among our targeted consumer groups, market perception and consumer acceptance of our brands may be eroded and our business, financial condition and results of operations may be adversely affected. We also promote our brands through sponsoring events organized by magazines, the PRC national table tennis team and the PRC national badminton team. We are, in part, dependent on the market perception of these events, and the PRC national table tennis team and the PRC national badminton team, over which we have no control. Any negative publicity, whether in the PRC or abroad, regarding any of our brands and images could have a material adverse effect on the public's perception of our brands. There is no assurance that we will be able to effectively promote and maintain our brands and if we fail to do so, the goodwill of such brands may be undermined, and accordingly our business, as well as our financial results, may be materially and adversely affected.

We may not be able to respond in a timely manner to rapid changes in fashion trends and consumer tastes in the PRC

The apparel industry is highly susceptible to changes in fashion trends and fluctuations in consumer tastes and preferences. In order to achieve continued and sustained success in our business, we must be able to anticipate, identify and respond promptly to such changes. If we fail to anticipate accurately and respond in a timely manner to these changes, we may experience lower sales volumes, lower selling prices and lower profit margins. As such, our financial results may be adversely affected. On the other hand, if we fail to anticipate the increase in consumer demand for apparel products, we may experience inventory shortages and loss of sales opportunities, which may also materially and adversely affect our image.

RISK FACTORS

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

Some of our *V.E. DELURE* and *TESTANTIN* Retail Stores are operated by our distributors. As at 31 December 2007, 2008 and 2009 and 30 June 2010, we had 60, 101, 90 and 88 distributors, respectively (out of which 3, 11, 9 and 9 operated both *V.E. DELURE* and *TESTANTIN* Stores, respectively). Apart from these distributors, we had 1, 31, 17 and 4 multi-brand or other distributors as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Multi-brand or other distributors are either (i) distributors which normally sell our *V.E. DELURE* and/or *TESTANTIN* products together with products under other third party brands in the same store in which *V.E. DELURE* and/or *TESTANTIN* products do not occupy a dedicated sales area or counter; or (ii) distributors which do not operate through a Store. In general, multi-brand or other distributors operate in relatively more remote areas. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, revenue contributed by multi-brand or other distributors amounted to RMB0.9 million, RMB8.3 million, RMB13.1 million and RMB3.6 million, respectively, representing 0.5%, 2.4%, 3.2% and 1.5% of our total revenue. For the same period, revenue contributed by our distributors amounted to RMB129.7 million, RMB196.1 million, RMB222.1 million and RMB132.5 million, respectively, representing 67.0%, 57.6%, 54.2% and 53.2% of our total revenue. We rely on contractual obligations set forth in our distributorship agreements to implement our retail policies in the Stores operated by our distributors. In the past, we have experienced certain violations of our distributorship agreements, including our distributors offering discounts on products greater than is allowed and mislabeling of certain products. Although we have taken steps to prevent these violations and will take remedial action if we learn of violations, we cannot assure you that these or similar violations will not occur in the future. If our distributors fail to comply with our retail policies, we may not be able to effectively manage our sales network, maintain a uniform brand image or we may be subject to consumer action taken by our end-customers or be affected by regulatory action taken by governmental authorities against our distributors, which may result in erosion of goodwill and an unfavorable public perception of our brands. Although we have the right to replace any distributor that fails to comply with our retail policies, there is no assurance that we will be able to find replacements for them in a timely manner, or at all. As a result, our business and results of operations may be materially and adversely affected.

The loss of, or significant decrease in, sales to our major distributors may have a material adverse effect on our financial condition and results of operations

Our five largest distributors together accounted for about 12.3%, 12.2%, 11.3% and 16.2% of the total revenue and our largest distributor accounted for about 3.4%, 3.3%, 3.7% and 4.7% of our total revenue for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. Our distributorship agreements generally have a term of one year, and there is no assurance that the agreements will be renewed on the same or similar terms, or at all. There is no assurance that our existing distributors will continue to place orders with us at historical levels, or that we would be able to find sizable distributors to purchase similar types and quantities of goods should we lose any of our existing distributors. If any of our major distributors substantially reduce their transaction volume or cease their business relationship with us, our financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Our ability to lease properties in suitable locations and on commercially acceptable terms may affect our expansion plans

We enter into concessionaire and lease agreements in order to obtain retail space for the operation of our self-operated Stores. There is no assurance that we will be able to obtain retail space for our new self-operated Stores on concessionaire fees or lease terms that are acceptable to us, or at all. Additionally, we cannot guarantee that we will be able to renew our existing concessionaire or lease agreements upon expiry or on terms and conditions that are acceptable to us. Generally, the term of these agreements ranges from six months to one year. If such existing concessionaire or lease agreements cannot be renewed, we will have to find alternative premises that may not be located in areas that offer similar business environments. In addition, failure to renew such retail spaces will provide an opportunity for competitors to move into such retail spaces previously occupied by us. Accordingly, failure to secure such retail spaces for our self-operated Stores on terms that are acceptable to us may increase our cost of operations and materially and adversely affect our turnover and financial performance.

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we incurred rental fees for Retail Stores of RMB26.3 million, RMB43.1 million, RMB49.9 million and RMB34.4 million, respectively, among which RMB15.4 million, RMB14.7 million, RMB10.8 million and RMB6.0 million, respectively, were attributable to fixed rental expenses while RMB10.9 million, RMB28.4 million, RMB39.1 million and RMB28.4 million, respectively, were attributable to concessionaire commissions. During the Track Record Period, the concessionaire commissions represented 41.3%, 65.9%, 78.4% and 82.6%, respectively, of the rental fees for Retail Stores, respectively, mainly due to our increasing utilization of the distribution model pursuant to which we enter into sales concessionaire arrangements with department stores or shopping malls to obtain retail space for our self-operated Retail Stores. The Directors confirmed that the fixed rental expenses that we paid during the Track Record Period were based on arms-length negotiations and comparable to the rental rates in the relevant markets during such periods. Please refer to the section titled "Business – Sales and Distribution – 1. Self-operated Stores" in this document for more details.

We may be required to seek alternative premises and/or we may be required to pay penalties for some of our leased properties if our landlords do not have title thereto and for non-registration or change of prescribed use of some of our leased properties

(i) Leased properties that have not been provided ownership certificates

As at 31 August 2010, certain building ownership certificates in respect of a total floor area of 7,682.63 sq.m. of the properties leased by us in the PRC had not been provided by the relevant landlords to prove their ownership titles or rights to these properties as required under the relevant PRC laws and regulations. As a result, the validity of the relevant lease agreements is uncertain. As at 31 August 2010, among these properties, about 230 sq.m. were used by us for Retail Store operation in Nanning, about 4,592.63 sq.m. were used as offices and about 2,860 sq.m. were used as warehouses. Our Nanning Store contributed about 0%, 0.5%, 1.3% and 1.8% of our revenue for the three years ended 31 December 2007, 2008, 2009 and the six

RISK FACTORS

months ended 30 June 2010, respectively. In the event that the title to any of these leased properties is defective, we may be required to cease our occupation and usage of the above properties.

The PRC Legal Advisor has advised us that it cannot confirm whether we are using those leased properties without ownership certificates according to the allowed land use prescribed in the ownership title certificates. The Directors confirmed that they are not aware of any third parties challenging the validity of the relevant leases or requiring us to vacate these properties. Only if we are not in compliance with the land use stipulated in the lease agreements will we be exposed to any liabilities or penalties.

(ii) Leased agreements not duly registered with the relevant PRC governmental authorities

As at 31 August 2010, lease agreements of 14 of our leased properties have not been registered with the relevant PRC governmental authorities. According to the relevant administrative regulations issued by the local governments of the respective cities where the leased properties are located, there is no provision in the relevant laws and regulations that subjects us to any penalties for failure to register the lease agreements in respect of seven of the properties, and seven of them may subject us to maximum penalties ranging from RMB500 to RMB30,000 per lease. The PRC Legal Advisor has confirmed that the maximum amount of possible penalties for our 14 lease agreements without registration is about RMB100,000 in aggregate.

(iii) Leased properties occupied not for the prescribed use of the property

There are eight of our leased properties which we have changed their prescribed use of property as at 31 August 2010. According to the relevant administrative regulations issued by the local governments of the cities where such properties are located, there is no provision in the relevant laws and regulations that subjects us to any penalties for altering the prescribed use of property in respect of five of these properties, while three of these may subject us to maximum penalties ranging from RMB5,000 to RMB50,000 per property. The PRC Legal Advisor has confirmed that the amount of possible penalties for our eight leased properties which we have altered their prescribed use of property is about RMB65,000 in aggregate. We may also be required to vacate these properties.

In the event we are required to relocate from any of the above-mentioned leased properties, we may incur relevant costs relating to such relocation and may experience certain business interruption. The estimated time for the relocation of any of these leased properties will be for a period ranging from fifteen to one-hundred days and the estimated cost for the relocation of these leased properties would amount to approximately RMB130,000 in aggregate. Further, the relocation of the Retail Stores in Nanning may incur an estimated loss of profits of approximately RMB1,549,000 if calculated based on the average monthly profit generated by this Retail Store in 2009. In addition, we may not be able to find suitable alternative premises for our Retail Store operation and our business may be adversely affected if we relocate to a less desirable location.

RISK FACTORS

We may not be able to monitor the retail sales price and inventory levels of our distributors

We may not be able to exercise adequate control in practice over the retail sales price and the inventory levels of our distributors. Our sales team is responsible for monitoring our distributors' performance. Our distributorship agreements require our distributors to provide us with their operating status on a regular basis or upon our request. We generally require the distributors to submit sales and inventory reports on a weekly or monthly basis. However, such arrangement requires the cooperation of our distributors to accurately and timely report and submit the relevant data to us, and we cannot ensure the accuracy of the data collected from our distributors. Due to the above reasons, we may not be able to immediately monitor the retail sales price and inventory levels at our distributors Retail Stores, or to identify or prevent any excessive inventory build-up at these Retail Stores. In addition, there is no assurance that our sales data based on information in such sales and inventory reports provided by distributors correlates directly to the sales of our products to the end customers.

Our brand image and profitability may be negatively affected by actions of our outsourced manufacturers and distributors

During the Track Record Period, the cost of outsourced production as a percentage of our total cost of sales was about 78.0%, 71.7%, 74.1% and 78.0%, respectively. We may not be able to exercise adequate control over the operations of our outsourced manufacturers and are therefore not able to ensure their compliance with applicable laws and regulations. We enter into distributorship agreements with our distributors but because they do not constitute members of our Group, we are not in a position to ascertain that all of our distributors have obtained all licenses, permits and approvals necessary for their operations or complied with all applicable laws and regulations, notwithstanding that we reserve the right to terminate our distributorship agreements if our distributors deviate from any key terms. Failure on the part of any of our outsourced manufacturers or distributors to comply with applicable laws and regulations, such as product or retail related, labor and environmental laws and regulations, may result in negative publicity which may damage our image and reputation, and materially and adversely affect our profitability.

We rely on our outsourced manufacturers for the production of most of our products and any material disruption to the supply of products from our outsourced manufacturers would materially and adversely affect our results of operations

During the Track Record Period, the cost of outsourced production amounted to RMB68.8 million, RMB98.3 million, RMB119.4 million and RMB64.2 million, respectively, representing about 78.0%, 71.7%, 74.1% and 78.0% of our total cost of sales. These outsourced products comprise certain apparel products as well as accessories. For example, as at the Latest Practicable Date, we engaged two outsourced manufacturers to produce high-end suits for our *V.E. DELURE* brand. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, revenue contribution from products produced by these two outsourced manufacturers amounted to RMB6.0 million, RMB11.1 million, RMB25.2 million and RMB16.5 million, respectively, representing 3.1%,

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3.2%, 6.2% and 6.6% of our total revenue. Should these two outsourced manufacturers fail to deliver products to us, it would severely affect our ability to supply our *V.E. DELURE* Stores. We cannot ensure that we will not face material disruptions to the supply of products from our outsourced manufacturers in the future. In the event of such disruptions, we may not be able to find suitable alternative outsourced manufacturers on a timely basis, or offset such disruptions by increasing production at our own production facilities. During the Track Record Period, the Group had not experienced any material disruption to the supply of products from the outsourced manufacturers. In addition, as at the Latest Practicable Date, we did not carry any business interruption insurance to protect us from disruption in the supply of products. Any material disruption in the supply of products from our outsourced manufacturers may materially and adversely affect our results of operations.

We may be affected by intellectual property rights infringement

Competitors or other third parties may believe that one or more of our trademarks or products infringe their intellectual property rights and initiate legal proceedings against us. During the Track Record Period, there had been no legal proceeding issued against us for infringement of intellectual property rights. If any legal proceedings against us for infringement of intellectual property rights is, or likely to be, successful and we are unable to obtain any substitute usage of such intellectual property rights on suitable terms, or unable to redevelop around such disputed intellectual property rights, we may be prohibited from manufacturing or selling products that are dependent on the use of such intellectual property rights. Such proceedings could have a material adverse effect on our financial situation and results of operations. We may also be subject to other legal and equitable claims, as well as damage to our reputation and image, and such proceedings and consequences could divert management attention from our business, all of which could have a material adverse effect on our financial situation and results of operations.

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

We believe our trademarks and other intellectual property rights are crucial to our success. Our principal intellectual property rights include trademarks for our *V.E. DELURE* and *TESTANTIN* brands. We are currently applying for the registration of trademarks for a number of logos. The success of these applications depends upon a number of factors, and we cannot guarantee that we will be successful in registering these trademarks. We significantly depend on PRC laws to protect our trademarks, patents or other intellectual property rights. During the Track Record Period, the Group did not encounter instances of counterfeit products. There is no assurance that third parties will not infringe our intellectual property rights. In addition, there are countries, including but not limited to the PRC, where protection of patents, trademarks and other intellectual property rights may not be effective or may be limited. 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 materially and adversely affected.

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Fluctuations in the price, availability and quality of raw materials could cause production delays and increase production costs

We depend on external suppliers for all of the raw materials and product parts for the production of our apparel products. The principal raw materials used in the production of our apparel products are fabrics and leather materials. Raw materials are sourced from both PRC and overseas suppliers. About 20.7%, 25.1%, 41.2% and 33.4% of our raw material and product parts were sourced from our top five raw materials suppliers for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. Our largest raw material supplier accounted for about 5.7%, 7.7%, 16.3% and 14.5% of our total purchases of raw materials for the same periods, respectively.

According to Frost and Sullivan Report, the market price of leather materials is likely to remain stable between 2010 and 2012 due to the development of animal husbandry in China. Our fabrics are mainly made from cotton and wool. According to the Frost and Sullivan Report, the market price of cotton is expected to grow at 5% to 10% annually between 2010 and 2012, while that of wool is expected to increase by 10% to 15% annually between 2010 and 2012, mainly due to economic growth and domestic supply shortage. The price of raw materials may experience fluctuations that are beyond our control. Depending on the price fluctuations of raw materials, we may need to adjust the selling price of our products. However, there is no assurance that we can pass increases in raw materials costs onto our customers in a timely manner or at all, which could materially and adversely affect our profit margins.

We must obtain sufficient quantities of quality raw materials from our suppliers in order to maintain our normal operations. If we are unable to obtain the raw materials from our suppliers for any reason, we may have to incur additional costs in order to source the raw materials from alternative suppliers in order to avoid any interruption to our production schedule. We do not have long term supply contracts with our raw materials suppliers. There is no assurance that we will be able to contract suitable alternative suppliers in a timely manner and this could result in a delay in our production schedule, which may adversely affect our profitability. If we are unable to source quality raw materials at acceptable prices and in a timely manner, our production schedules may be adversely affected and the cost of production may increase, and our sales, business and trading position, as well as our financial results and condition, may be materially and adversely affected.

A labor shortage or an increase in labor cost or the cost of products manufactured by outsourced manufacturers may expose us to an increase in total cost

In addition to raw materials, we rely on our outsourced manufacturers for certain apparel products. In addition, our production of apparel, packaging and post-finished processing are labor intensive. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the cost of direct labor amounted to about RMB0.4 million, RMB4.3 million, RMB1.0 million and RMB0.5 million, respectively, which accounted for approximately 0.5%, 3.1%, 0.6% and 0.6% of our total cost of sales, and the cost of outsourced production amounted to RMB68.8 million, RMB98.3 million, RMB119.4

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million and RMB64.2 million, respectively, which represented approximately 78.0%, 71.7%, 74.1% and 78.0% of our total cost of sales. Generally, we do not maintain long-term contracts with our outsourced manufacturers, and prices that we pay for the outsourced products may increase due to greater industry demand or a shortage of labor. Labor costs in the PRC have increased and may continue to increase in the future. If we are unable to identify and take other measures to reduce costs of our outsourced production or direct labor and are unable to pass on such increases in costs to our customers by increasing the selling prices of our products, our profit margin may decrease and our financial results may be materially and adversely affected.

We may not be able to manage our rapid growth and expansion of our retail network effectively

We have a broad menswear retail network in the PRC. We have grown rapidly over the past few years and our revenue increased by 75.6% from RMB193.9 million in 2007 to RMB340.4 million in 2008 and by 20.1% from RMB340.4 million in 2008 to RMB409.0 million in 2009. The number of *V.E. DELURE* and *TESTANTIN* Retail Stores aggregately increased from 167 as at 31 December 2007 to 242 as at 31 December 2008, to 259 as at 31 December 2009 and to 268 as at 30 June 2010. As we continue to expand our retail network, particularly in the PRC, this expansion plan may place significant strain on our managerial, operational and financial resources. We may not be able to successfully manage the rapid growth of our retail network despite adopting various measures and strategies to do so. Therefore, there is no assurance that the intended growth of our retail network can be achieved or will become profitable. In addition, an economic downturn, which may materially and adversely affect the profitability of our Stores, could result in longer lead-time for new Stores to reach optimal operating levels.

If the expansion of the retail network is not successfully managed, our operating costs may increase and our sales and financial results may be materially and adversely affected. We may not meet our retail expansion target if our business or financial conditions change from what we anticipated or there is a change in the overall economic conditions of the PRC or the regions in which we plan to locate our store or we are unable to secure locations for additional Stores in well known department stores and shopping malls where we would expect to draw customers with spending power consistent with our target clientele. We also may be unable to agree on acceptable financial and operational terms with potential distributors to be able to expand our distribution network or landlords to be able to expand our self-operated Stores. In addition, we may not be able to identify distributors and hire employees to operate our Stores appropriately and in a manner consistent with the image of our brands.

We may lose our license to sell CARTIER accessories or may not be able to renew such license on commercially reasonable terms or at all

Beginning in early 2008, we started to act as an authorized dealer of CARTIER accessories in designated CARTIER Stores in the PRC. As at the Latest Practicable Date, we operated three CARTIER Stores in Nanning, Guangxi Province and Fuzhou and Xiamen, Fujian Province, selling accessories such as watches, pens and leather goods. We have entered into distributorship agreements with Richemont, which are renewable

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annually, whereby Richemont has granted us the right to distribute CARTIER accessory products. We purchase the accessory products directly from Richemont and sell the products through the CARTIER Stores we operate. The distributorship agreements can be terminated immediately by Richemont if we fail to fulfill our obligations. For the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, revenue from CARTIER products accounted for RMB8.8 million, RMB15.5 million and RMB10.1 million, respectively, representing 2.6%, 3.8% and 4.1% of our total revenue. There is no assurance that we will be able to fulfil our current obligations under the distributorship agreements or meet all of the renewal conditions necessary in order to retain our CARTIER license. If we lose such license, our business as well as our financial results may be materially and adversely affected.

We are heavily dependent on certain key executives and senior management

Our success depends heavily on our ability to attract, retain and motivate our key executives and senior management. There is no assurance that these key executives and members of senior management will not voluntarily terminate their employment with us. Although we do not rely on any one particular Director or member of senior management, the loss of any key personnel without a timely and suitable replacement could be detrimental to the ongoing success of our operations.

In addition, competition for qualified sales and marketing and design personnel is very intense, and we face competition for such personnel from competitors in our industry. The competition for qualified personnel may be more acute for us as we are still a developing company. If we are unable to retain or are unsuccessful in recruiting qualified sales, marketing and design personnel, we may not be able to maintain our position as a leading menswear enterprise in the PRC. This may render us incapable of meeting our growth targets, and our business, financial condition, and results of operations will be materially and adversely affected.

Any significant disruption or damage to our administrative or production facilities could have a material adverse effect on our results of operations

We are heavily reliant on the efficient, proper and uninterrupted operation of our facilities in order to grow our business and meet our contractual obligations with our distributors and suppliers. Power failures or disruptions, the improper installation or operation of equipment and the destruction of buildings, equipment and other facilities due to natural disasters such as hurricanes, fire, flooding or earthquakes would severely affect our ability to continue our operations. We currently do not carry any business interruption insurance. No assurance can be given that our insurance coverage would be adequate to compensate us for the actual cost of replacing our buildings, equipment and infrastructure nor can we assure you that such events would not have a material adverse effect on our business, financial condition and results of operations and prospects.

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Our inventory may become obsolete

Our average inventory turnover was about 112 days, 183 days, 251 days and 285 days for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. The increase in our average inventory turnover days during the Track Record Period was primarily due to expansion of our retail network in the PRC and Hong Kong during the period.

We became an authorized dealer of CARTIER in 2008. CARTIER, being a luxury brand, operates its Retail Stores like a showroom and, as a result, the buffer inventory for store display and sale is maintained at a higher level than is typical of most retail stores. In addition, pursuant to the distributorship agreements, CARTIER requires us to keep at all times a sufficient and representative stock of CARTIER products and implement specific inventory requirements for our CARTIER Stores, one of which opened in Fuzhou, Fujian Province, in March 2008, one in Nanning, Guangxi Province, in December 2008 and one in Xiamen, Fujian Province, in September 2010. As at 31 December 2008, 2009 and 30 June 2010, our inventories attributable to the CARTIER products were RMB10.1 million, RMB21.0 million and RMB20.8 million, respectively, or 11.20%, 16.0% and 16.1%, respectively, of our total inventories. For the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, the inventory turnover days for our CARTIER products were 344 days, 587 days and 551 days. CARTIER also has the right to require us to stock new CARTIER products that it may decide to launch on the market at any time which may further increase our inventory. Due to the foregoing reasons, and the fact that we have only recently entered into the market of licensed CARTIER products in the PRC, in the event that sales performance of our CARTIER Stores falls below our management's expectation, we may not be able to prevent excessive inventory build-up, which could result in an inventory write-down or write-off.

We do not generally have a rigid inventory control policy or pre-set inventory level. Products within the current season will generally continue to be sold in our Retail Stores. We classify our products as aged products when our designs become outdated and no longer reflect the trend and style of the current season. We have special offer sales annually that our staff and their families and friends are invited to attend to clear unsold aged products. Our inventory provision as at ended 31 December 2007, 2008 and 2009 and 30 June 2010 amounted to nil, RMB4.3 million, RMB6.1 million and RMB12.1 million, respectively.

We may not successfully integrate newly acquired or licensed brands and/or businesses into our business model

We may acquire or obtain the license to operate additional brands to expand our business portfolio in the future. Our ability to achieve such expansion depends on our ability to identify the appropriate additional brands and to initiate, negotiate and complete the acquisition of or obtain the license for such brands.

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We may experience difficulties in integrating newly acquired or licensed brands or businesses into our existing business model and in retaining the key personnel to manage such acquired or licensed brands or businesses. In addition, the cost and duration of integration could also exceed our original estimation. Further, if we acquire a business that operates outside of China or offer products that are different from our existing products, our exposure to these risks may increase because of our limited experience in operating businesses in foreign jurisdictions or that are not within our existing operations. Any of these factors could materially and adversely affect our business, operations and financial results.

Our suppliers and outsourced manufacturers may be affected by national and local government regulations in the areas they operate

We source a large volume of our raw materials from third-party suppliers and outsource the production of our product parts to outsourced manufacturers. These suppliers may be subject to national and local government regulations in the areas in China they operate. Any change to the relevant government regulations or policies, whether relating to labor safety, tax treatment, environmental protection or any other aspects, may directly affect the operating costs of these suppliers. This may in turn increase the costs of our products or other fees charged to us. In such circumstances, our costs of sales may increase, thereby materially and adversely affecting our profitability and financial results.

We may be exposed to product liability, property damage or personal injury claims

We generally do not have product liability insurance because it is not specifically required under PRC laws. If we are found liable for any product liability claim, we may be required to pay substantial damages. Even if we are successful in defending such a claim, we may incur substantial financial and other resources in defending such a claim. In such circumstances, our financial results will be adversely affected. Depending on the outcome of any such claims, the reputation of our brands could also be adversely affected. In addition, we do not maintain third-party liability insurance against claims for property damage, personal injury or environmental liabilities. We may incur significant costs and expenses to defend against such claims or enter into settlement agreements. We may be fined or sanctioned, which could materially and adversely affect our reputation, business, prospects, financial condition and results of operations. During the Track Record Period, the Group has not been subjected to any material product liability claim.

The Company's future dividend policy is subject to the discretion of the Directors

The Company declared and paid out interim dividends out of the Company's internal funds in the amount of RMB54.6 million and RMB38.6 million during the year ended 31 December 2009 and the six months ended 30 June 2010, respectively, in respect of the relevant prior year's/period's profit distributed to the Company by the Company's PRC subsidiaries. However, the amount of dividends which we may declare in the future will be subject to the discretion of the Directors depending on the Company's results, working capital, cash position, future operations, profitability, surplus and capital requirements, as well as the Company's general financial condition and any other factors

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which the Directors may consider to be relevant. Therefore, the Company's historical dividend distributions are not indicative of the Company's future dividend distribution policy.

We may not be able to secure future financing

From time to time, we may require additional funds depending on our future business plan, market conditions and other factors which are beyond our managements' control and expectation. Extra funding may also be needed for store expansion or renovation, to acquire or license new brands, or to strengthen the design team as well as the back-end office support. The tightening of credit in the PRC which resulted from the ongoing economic uncertainty may increase our finance costs and create difficulties for us to renew our existing banking facilities and obtain additional sources of debt financing, which may affect our overall liquidity. Our lenders may impose more stringent terms under our credit facilities, request early payment of outstanding loans or request increases in the amount of pledges for secured borrowings. Further, if we require additional debt financing, our lenders may require us to agree on restrictive covenants that could limit our flexibility in conducting future business activities. If we are unable to secure external financing on acceptable terms to meet our operational and expansion needs, our business and trading position, as well as our financial results and conditions may be materially and adversely affected.

We will not continue to receive preferential tax treatments that we currently enjoy

Pursuant to the approval from the tax bureau, Evergreen Guangdong was exempted from the corporate income tax for its first two profit-making years and is entitled to a 50% tax reduction in the succeeding three years. The first profitable year of Evergreen Guangdong was 2006. Therefore, Evergreen Guangdong was exempted from corporate income tax in 2006 and 2007 and subject to the reduced rate of 12.5% for each of the two years ended 31 December 2008 and 2009 and also the year ending 31 December 2010. Beginning on 1 January 2011 and every year thereafter, Evergreen Guangdong will be subject to a corporate income tax rate of 25%. We do not expect to be able to obtain new preferential treatments in the future upon the expiration of the preferential income tax treatment mentioned above and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO THE INDUSTRY

We face intense competition in the menswear industry in the PRC

The menswear industry in the PRC is characterized by intense competition from both international and domestic brands. We generally face competition from brands with similar brand positioning based on brand recognition, design, product mix, quality, price, customer service and breadth of retail network, among other factors. There is no assurance that we will be able to compete effectively against competitors who may have greater financial resources, greater scales of production, superior technology, better brand recognition and a wider, more diverse and established distribution network. In order to maintain our market share and remain competitive, we may be forced to provide more

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sales incentives to our distributors, and increase capital expenditures, which may in turn negatively affect our profit margins and our results of operations.

In addition, with the liberalization measures adopted pursuant to the PRC's accession to the World Trade Organization, or WTO, foreign brands are permitted to expand their business in the PRC with fewer restrictions. Further, as the economy continues to grow in the PRC, consumers are expected to accumulate greater purchasing power and can more readily afford foreign brands. As a result, more foreign brands have entered, and are continuing to enter, the PRC market, which further increases competition in the menswear industry in the PRC.

Our sales volume is sensitive to seasonality effects and weather patterns

Our performance is highly subject to seasonal trends or fluctuations. Sales amounts therefore vary throughout the year with significantly higher levels of sales for our winter and autumn collections and lower levels of sales for our spring and summer collections.

Extreme changes in weather patterns could also affect consumers' purchasing behavior, which may lead to fluctuations in our sales revenue. For example, extended periods of unseasonably warm weather during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with such unseasonable weather conditions. These extreme or unseasonable weather conditions could have a material adverse effect on our results of operations.

We may be affected by the recent global financial turmoil

The recent economic turmoil during the second half of 2008 and first half of 2009, which resulted in tightened credit markets, increased unemployment rates and liquidity problems for financial institutions, has adversely affected the U.S. and the world economies.

The prolonged global economic downturn, to some extent, could lead to a decline in consumer confidence and changes to consumer spending patterns in the PRC. This is particularly so as fashion items are generally considered discretionary consumption items and the fashion apparel industry is very sensitive to changes in the economy. In such situations, we may have to offer deeper discounts for longer periods than usual, which could materially and adversely impact our profit margins.

Our business may be affected by events that are beyond our control, such as natural disasters, outbreaks of epidemics, acts of war, terrorist acts, and social or political unrest

From November 2002 to July 2003, the PRC and certain other countries and regions experienced an outbreak of a new and highly contagious form of atypical pneumonia known as SARS. In July 2003, the World Health Organization declared that the SARS outbreak had been contained. However, a number of isolated cases of SARS were reported in the PRC in 2004. In June 2009, the World Health Organization declared a global outbreak of a new strain of influenza virus, the H1N1 virus, which affected many

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countries worldwide. In May 2008, Wenchuan County of Sichuan Province, was hit by an earthquake with a magnitude of 7.8 on the Richter Scale. There was no material adverse impact on our financial position, business operations or prospects as a result of the earthquake.

If there is an outbreak or a recurrence of epidemics, a natural disaster in the PRC, a further spread or mutation of the H1N1 leading to a more severe H1N1 outbreak, acts of war, terrorist acts, social or political unrest that is beyond our control, it could result in disruption to our business and could adversely affect our operations and financial results.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

We may be affected by changes in the PRC foreign exchange regulations

At present, the RMB is freely convertible to other currencies only under limited circumstances. Foreign invested enterprises are permitted to remit their net profit or dividends in foreign currencies out of the PRC or to repatriate such profit or dividends after converting the same from RMB to foreign currencies through authorized banks. Foreign invested enterprises are also permitted to convert RMB to foreign currencies for items in the current account, including trade and service related foreign exchange transactions and payments of dividends to foreign investors. Foreign exchange transactions in the capital account, including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of the principal amount of foreign currency loans and payments pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require the prior approval of SAFE.

Based on our current business model, most of our revenue is derived from the PRC and is denominated in RMB. If the PRC Government imposes additional restrictions on the conversion of the RMB to foreign currencies, under the existing foreign exchange regulations in the PRC, we may have difficulty remitting the profits generated from our operations in the PRC to Hong Kong, which may in turn adversely affect our ability to pay dividends to Shareholders in Hong Kong dollars or other foreign currencies.

Fluctuations in the exchange rates of the Renminbi may affect our business and results of operations

The exchange rates between the Renminbi and the Hong Kong dollar, the U.S. dollar, the Euro and other foreign currencies are affected by, among other things, changes in the PRC's economic and political conditions. In 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall within a regulated band each day. Under the current circumstances of global economic crisis, the exchange rates of the Renminbi against the US dollar, the Hong Kong dollar or other foreign currency may fluctuate in an unprecedented way.

Most of our purchases are denominated in Renminbi, U.S. dollars or Euros. Fluctuations in exchange rates, particularly among the U.S. dollar, Renminbi and the Euro, may affect our net profit margins and may result in fluctuations in foreign exchange

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and operating gains and losses. We have not used any other forward contracts, currency options or borrowings to hedge our exposure to foreign currency exchange risk. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future.

Furthermore, following the completion of certain event, we expect a significant portion of our cash and cash equivalents to be denominated in currencies other than Renminbi. As our functional currency is Renminbi, such foreign currency denominated cash and cash equivalents are exposed to fluctuations in the value of Renminbi against the currencies in which such cash and cash equivalents are denominated. Any significant appreciation of the Renminbi against these foreign currencies may result in significant exchange losses.

We may experience fluctuations in consumers' purchasing behavior caused by changes in macroeconomic conditions in the PRC

Since a significant portion of our revenue is derived from the PRC, the success of our business depends on the future growth of the PRC consumer market, which, in turn, depends on worldwide economic conditions and individual disposable income levels in the PRC and the resulting impact on levels of consumer spending, which have recently deteriorated significantly in many countries and regions and may remain depressed for the near future. There are many factors affecting the level of consumer spending, including, but not limited to, interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment levels and general consumer confidence. There can be no assurance that historical growth rates of the PRC economy will continue or that projected growth rates of the PRC economy and the PRC consumer market will be realized. Any future slowdowns or declines in the PRC economy or consumer spending may materially and adversely affect our business and results of operations.

Interpretation of PRC laws and regulations involves uncertainty that could adversely affect our business and results of operations and limit the legal protections available

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which prior court decisions have limited precedential value. Since 1979, the PRC government has promulgated laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. This legislation has significantly enhanced the protections afforded to various forms of foreign investment in the PRC in general and laws and regulations applicable to wholly foreign-owned enterprises in particular. Many of these laws, regulations and legal requirements are relatively new and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve greater uncertainties than those in jurisdictions under common law systems. These uncertainties may limit the legal protections available. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Any changes to such laws and regulations may materially increase the cost of production and regulatory exposure in complying with them.

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RISKS RELATING TO [●]

Certain facts and public statistics in this document may not be reliable

Certain facts and statistics in this document, such as those related to the economy and the retail industry of the PRC, are derived from various publicly available government and official publications or from Frost & Sullivan, which the Directors believe to be reliable. We cannot, however, guarantee the quality or reliability of such government or official sources. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such government, official sources or Frost & Sullivan, they have not been independently verified by us or any of our respective affiliates or advisors. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information compiled by other sources and you should not place undue reliance on any facts and statistics derived from government or official sources or the Frost & Sullivan Report contained in this document.

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

Some of our Directors and executive officers reside in the PRC, and substantially all of our assets are located in the PRC. It may therefore be difficult to effect service of process upon us or those persons in the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts within the United States, the United Kingdom or most other Western countries. In addition, Hong Kong has no arrangement with the United States for the reciprocal enforcement of judgements. Therefore, it may be difficult to enforce any judgments obtained from non-PRC courts against us or our Directors and executive officers in the PRC.

There are forward-looking statements in this document

This document contains certain statements that are "forward-looking" and uses forward-looking terminology such as "may," "future," "plan" or "planned," "will" or "could," "would," "should," "estimates" or "estimated," "expected," "anticipates," "draft," "eventually" or "projected." Such statements address, among other things, our strategies, visions and expectations regarding our future operations, business performance and capital resources. You are cautioned that reliance on any forward-looking statements involves risks and that although we reasonably believe in the assumptions on which the forward-looking statements are made, such assumptions could prove to be incorrect and accordingly, the forward-looking statements could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved.

DIRECTORS AND PARTIES

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. CHAN Yuk Ming	Flat A, 10th Floor, Block 5 2 Yin Ping Road Dynasty Heights, Tropicana Kowloon Tong Kowloon Hong Kong	Chinese
Mr. CHEN Yunan	Flat B, 20th Floor, Block B Zhu Jiang Di Jing Ming Quan Street Yi Yuan Road, Hai Zhu District Guangzhou, PRC	Chinese
Mr. CHEN Minwen	Flat A, 20th Floor, Block B Zhu Jiang Di Jing Ming Quan Street Yi Yuan Road, Hai Zhu District Guangzhou, PRC	Chinese
<i>Independent Non-Executive Directors</i>		
Mr. FONG Wo, Felix	9D, Repulse Bay Towers 119A Repulse Bay Road Repulse Bay Hong Kong	Canadian
Dr. KO Wing Man	Unit D, 15th Floor, Block 10 One Beacon Hill One Beacon Hill Road Kowloon Tong Kowloon	Chinese
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Principal place of business in Hong Kong	Rooms 1305–1307, 13/F New East Ocean Centre 9 Science Museum Road Tsimshatsui East Kowloon Hong Kong
Website Address	www.evergreen-intl.com
Joint Company Secretaries	Ms. Kwok Yu Ching <i>ACIS, ACS (PE)</i> Ms. Chan Sau Ling <i>ACIS, ACS (PE)</i>
Authorized Representatives	Chan Yuk Ming Flat A, 10th Floor, Block 5 2 Yin Ping Road Dynasty Heights, Tropicana Kowloon Tong Kowloon Hong Kong Kwok Yu Ching (Chan Sau Ling as alternate) c/o Tricor Services Limited Level 28, Three Pacific Place 1 Queen's Road East Hong Kong
Audit committee	Kwok Chi Sun, Vincent (<i>Chairman</i>) Fong Wo, Felix Ko Wing Man
Remuneration committee	Ko Wing Man (<i>Chairman</i>) Fong Wo, Felix Kwok Chi Sun, Vincent
Nomination committee	Fong Wo, Felix (<i>Chairman</i>) Ko Wing Man Kwok Chi Sun, Vincent

CORPORATE INFORMATION

Principal bankers

Agricultural Bank of China
Xihulu sub-branch
No. 52 Xiha Road, Guangzhou,
Guangdong Province
The PRC

Shanghai Commercial Bank Limited
666 Nathan Road, Mongkok
Kowloon
Hong Kong

Shanghai Pudong Development Bank
Guangzhou branch, Jiefanglu sub-branch,
668 Jiefangbei Road, Guangzhou,
Guangdong Province
The PRC

The Hongkong and Shanghai Banking Corporation
Limited
Shop 361-5, Level 3
Ocean Centre,
Harbour City
Tsim Shai Tsui, Kowloon
Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a report we commissioned from Frost & Sullivan, an Independent Third Party. Although we have exercised reasonable care in extracting and reproducing such information from official government publications, it has not been independently verified by us, or any of our affiliates or advisors. The information from official government publications may not be consistent with information available from other sources within or outside the PRC. We, our affiliates or advisors, do not make any representation as to the accuracy, completeness or fairness of such information from official government publications and, accordingly, you should not unduly rely on such information from official government publications presented in this section or elsewhere in this document.

The information extracted from the Frost & Sullivan Report reflects estimates of market conditions based on samples, and was prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as Frost & Sullivan's opinion as to the value of any security or the advisability of investing in the Company. The Directors 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 material fact has been omitted that would render such information false or misleading. The information extracted from the Frost & Sullivan report has not been independently verified by us or any of our affiliates or advisors, and no representation is given by any of the foregoing parties as to the accuracy, completeness or fairness of such information from the Frost & Sullivan report and, accordingly, you should not unduly rely on such information from the Frost & Sullivan report presented in this section or elsewhere in this document.

ABOUT THIS SECTION

Report Commissioned From Frost & Sullivan

We commissioned Frost & Sullivan to conduct an analysis of, and to report on, the menswear market in the PRC for the period from 2006 to 2013. The Frost & Sullivan Report was prepared by Frost & Sullivan independent of our influence. Frost & Sullivan charged us a fee of RMB520,000, which the Directors consider to reflect market rates.

Founded in 1961, Frost & Sullivan has over 38 global offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists. Its services include technology research, market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Based in the United States, it has been covering the Chinese market from its offices in China since the 1990's.

The Frost & Sullivan Report includes information on the Chinese menswear market, the Chinese business formal and casual menswear market, the Chinese causal menswear market and other economic data. The market research process for this study was undertaken through detailed primary research which involved discussing the status of the industry with leading industry participants and industry experts. Primary research involved interviewing 100 leading industry participants from menswear brand companies and menswear retailers as well as industry experts. Secondary research involved

INDUSTRY OVERVIEW

reviewing company reports, independent research reports and data obtained from Frost & Sullivan's own research database. Projected total market sizes in the PRC were obtained from historical data analysis plotted against macroeconomic data, as well as specific related industry drivers such as increasing disposable income, wider geographic coverage of the menswear stores, increasing acceptance of commercial and modern social etiquettes, emerging of a wealthy customer group, and training franchisees by menswear companies, obtained through interviews with industry experts and participants.

Forward looking statement

This section contains "forward-looking statements." "Forward-looking statements" describe future expectations, plans, results or strategies and are generally preceded by words such as "may," "future," "plan" or "planned," "will" or "could," "would," "should," "estimates" or "estimated," "expected", "anticipates," "draft," "eventually" or "projected." You are cautioned that such statements are subject to a multitude of risks and uncertainties that could cause future circumstances, events, or results to differ materially from those projected in the forward-looking statements, including the risks that actual results may differ materially from those projected in the forward-looking statements as a result of various factors, including, without limitations, those factors set forth in the section headed "Risk Factors" in this document, and other unanticipated circumstances. Accordingly, you should not place undue reliance on these forward-looking statements. These statements speak only as at the date of their publication in the Frost & Sullivan report and we undertake no obligation to revise or update any of them to reflect events or circumstances that occur after the date of their publication.

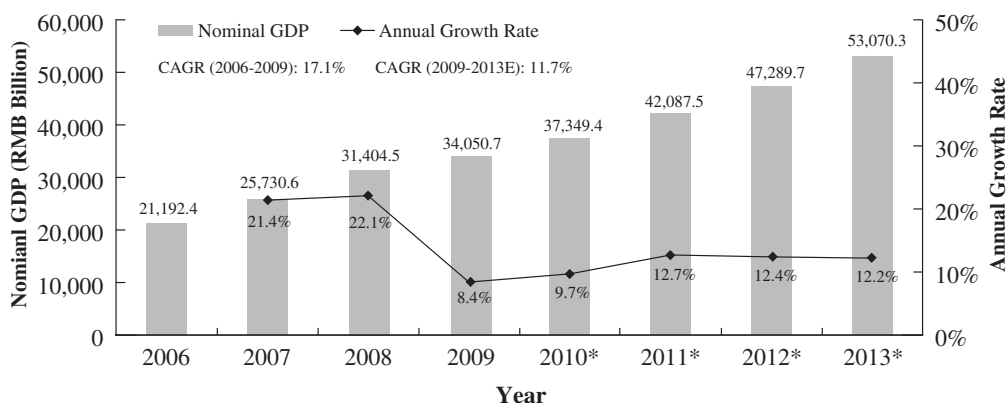
RAPID ECONOMIC GROWTH IN THE PRC

China's Nominal GDP Growth

Due to quickly advancing economic reform, China's nominal GDP has experienced rapid growth at a CAGR of 17.1% from 2006 to 2009. China's nominal GDP grew from RMB21,192.4 billion in 2006 to RMB34,050.7 billion in 2009. Although the Chinese economy was temporarily affected by the global financial crisis, it has shown signs of revival. According to the International Monetary Fund, China's economy is likely to rebound in 2010. The CAGR from 2009 to 2013 is expected to reach 11.7%, and China's nominal GDP is expected to be RMB53,070.3 billion by 2013.

INDUSTRY OVERVIEW

Nominal GDP (China), 2006-2013



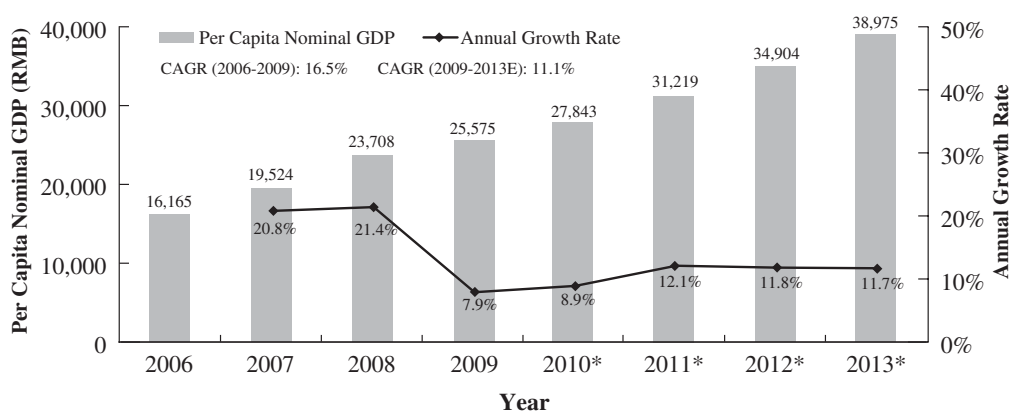
Note: All data are rounded.

Source:

1. Historical data: National Bureau of Statistics of China
 2. Projected data: International Monetary Fund, April 2010
- * Forecast Numbers

In the 1980s, the PRC made a blueprint to build a moderately-prosperous nation by the beginning of the 21st century, which depicted a moderately-developed modern society with overall improvement in the economy and people's standard of living. In 2009, China's per capita GDP was RMB25,575, up by approximately 58.2% from RMB16,165.0 in 2006. Although the growth rate has dropped in 2009 due to the global financial crisis, China's per capita nominal GDP is expected to sustain moderate growth and reach RMB38,975 by 2013, fueled by increasing domestic investment and consumption.

Per Capita Nominal GDP (China), 2006-2013



Note: All data are rounded.

Source:

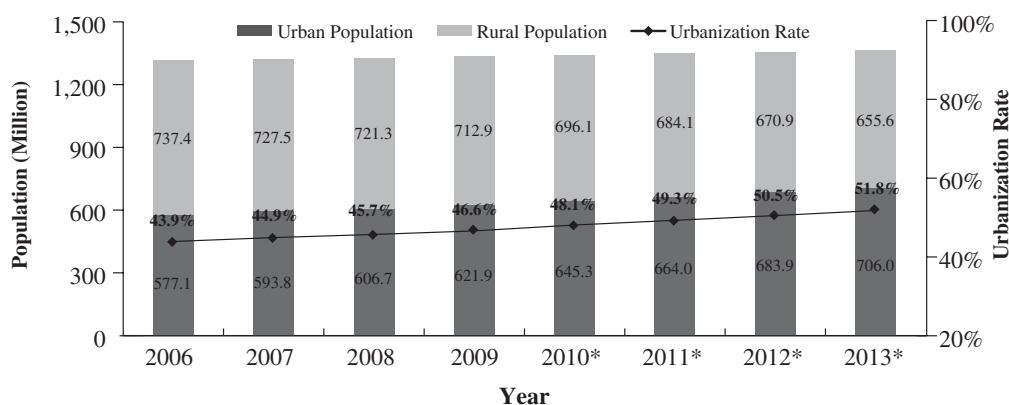
1. Historical data: National Bureau of Statistics of China
 2. Projected data: International Monetary Fund, April 2010
- * Forecast Numbers

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China's Urban Population and Urbanization Growth

Accelerating urbanization is one of the important features of China's modernization. Three decades have passed since China carried out its economic and social reform, which has resulted in an increasing number of cities and an increase in China's urban population, as defined by the National Bureau of Statistics of China. The urbanization rate in the PRC has gradually increased during the past several years. China's urban population has risen since the 1990s. From 2006 to 2009, the level of urbanization in China increased from 43.9% to 46.6%. In the forecast period during 2010 and 2013, China's urban population is estimated to further increase from 645.3 million in 2010 to 706.0 million in 2013. The urbanization rate is forecast to reach around 51.8% by 2013.

Urban Population and Urbanization (China), 2006-2013



Note: All data are rounded.

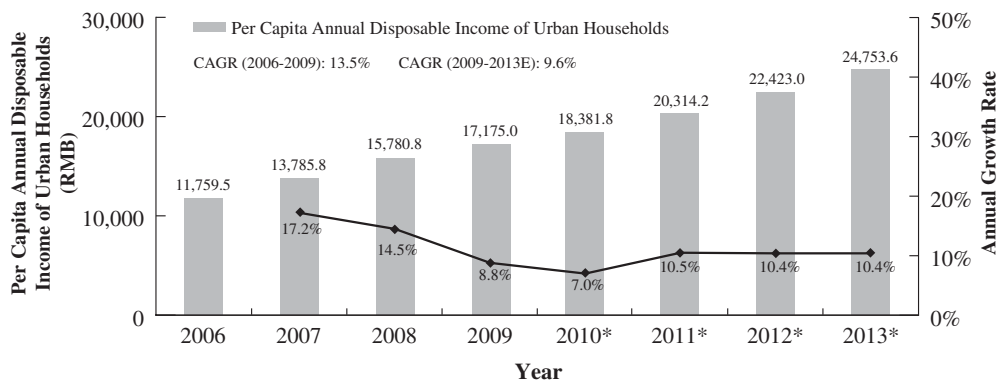
Source:

1. Historical data: National Bureau of Statistics of China
 2. Projected data: International Monetary Fund, April 2010, Frost & Sullivan
- * Forecast Numbers

In 2009, the per capita annual disposable income of urban households was RMB17,175.0, up by 46.1% from 2006, with the CAGR being 13.5%. During the global financial crisis, China's economic growth slowed down in 2009, yet the growth rate of per capita disposable income is expected to rise again in 2010 due to the effectiveness of China's economic stimulus package. By 2013, the per capita annual disposable income of urban households in China is expected to reach RMB24,753.6, with a CAGR of 9.6% during 2009 and 2013.

INDUSTRY OVERVIEW

Per Capita Annual Disposable Income of Urban Households (China), 2006-2013



Note: All data are rounded.

Source:

1. Historical data: National Bureau of Statistics of China
 2. Projected data: Frost & Sullivan
- * Forecast Numbers by Frost & Sullivan

THE PRC MENSWEAR MARKET

Overview of Menswear Market in the PRC

The Chinese menswear market has grown steadily in recent years, and it is in the middle of the growth stage. There are nearly eight hundred menswear brands in China, including around six hundred Chinese domestic brands and two hundred foreign brands. The market concentration is very low at this stage, which leads to intense rivalry. There is no obvious market leader in terms of market share in menswear market in China. In 2009, the Chinese menswear market hit the total retail revenue of RMB300.3 billion, with a CAGR of 15.8% from 2009 to 2013.

Key barriers of entry in menswear market in China include economies of scale, brand development, channel construction, and capital requirements. With the intense competition and rising cost in recent years, economies of scale in menswear industry gives larger companies cost advantages and allows them to strengthen leading position in the competition. At the same time, it requires long term and solid experience to build up a well-known brand and mature sales network for a menswear supplier. Additionally, capital investment is largely important for the network development. For new entrants, it is hard to succeed in these aspects in a short time period.

The major threats and challenges to the industry are competition from new entrants, rising production cost, as well as increasing and upgraded consumer needs. Firstly, new entrants to Chinese menswear market are likely to raise the level of competition, and grasp the market share of current market participants. Secondly, Chinese menswear industry faces the ever-rising cost of energy, transportation, raw materials and labor. The rising cost of menswear reinforce the importance of economies of scale. Lastly, menswear consumers are increasingly paying more attention to the menswear style and quality, which requires design and quality upgrade, and more capital investment from menswear suppliers in China.

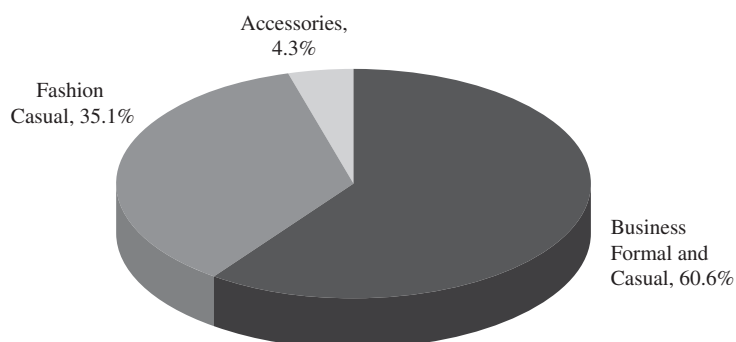
INDUSTRY OVERVIEW

The PRC menswear market, which can be segmented into three product types, namely: (i) business formal and casual menswear, (ii) fashion casual menswear and (iii) accessories, has expanded rapidly in recent years. Business formal menswear refers to adult menswear appropriate for formal occasions, such as business suits, shirts and trousers, etc., while business casual menswear refers to adult menswear appropriate for casual occasions when dealing with business affairs, such as casual suits, shirts, jackets, trousers, etc. Business formal and casual menswear is the collection of both business formal and business casual menswear.

Fashion casual menswear represents adult menswear appropriate for casual and non-formal occasions, such as when participating in recreational activities, social, or leisure activities, such as casual coats, sweaters, etc.

Accessories of menswear usually include leather belts, neckties, and other accessories. According to Frost & Sullivan, total retail revenue for the menswear market has grown from RMB205.7 billion in 2006 to RMB300.3 billion in 2009, at a CAGR of 13.4%. The business formal and casual menswear market achieved a retail revenue of RMB182.0 billion in 2009, accounting for 60.6% of the total menswear market in the PRC. Fashion casual menswear recorded a retail revenue of RMB105.4 billion in 2009, or 35.1% of the total market. Accessories accounted for the remaining 4.3% of market share, or a retail revenue of around RMB12.9 billion in 2009.

Menswear Market: Retail Revenue Breakdown by Product Type (China), 2009
Total: RMB300.3 Billion

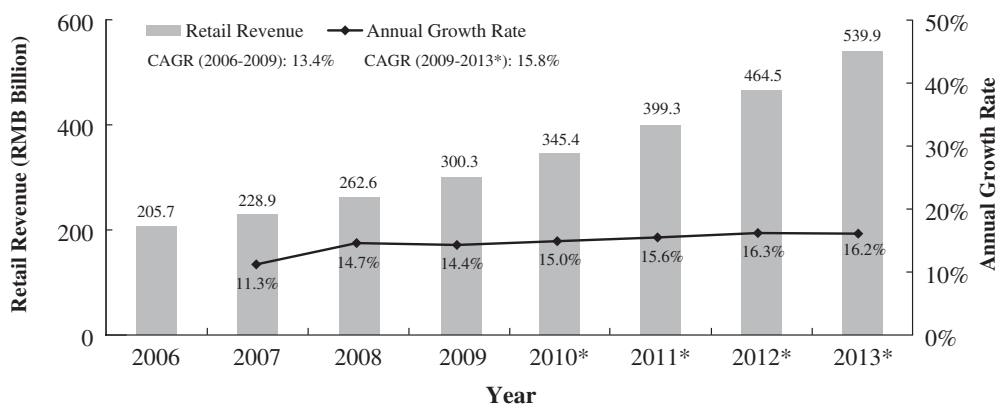


Source: Frost & Sullivan

INDUSTRY OVERVIEW

Retail sales of menswear in the PRC are expected to increase further in the forecast period. In 2013, the retail revenue of the Chinese menswear market is expected to reach RMB539.9 billion, at a CAGR of 15.8% from 2009 to 2013, according to Frost & Sullivan.

Menswear Market: Total Retail Revenue and Forecast (China), 2006-2013



Note: All data are rounded. The base year is 2009.

Source: Frost & Sullivan

* Forecast Numbers by Frost & Sullivan

Key Drivers of the PRC's Menswear Market

(i) Increasing Purchasing Power

The increase of the disposable income of residents has led to the increase of purchasing power in China. As a major part of the clothing industry, the menswear industry is closely related to consumer purchasing power in China. Higher purchasing power is expected to expand the scope of choice for the customers, who are able to buy suits of better design and quality.

(ii) Rising Brand Awareness of Consumers

As the living standards of customers in the urban areas became much better than before, male customers are becoming increasingly aware of the value of menswear products. Male customers pay more attention to the design and quality of different brands than in the past.

(iii) Upgrade of Menswear Design and Quality

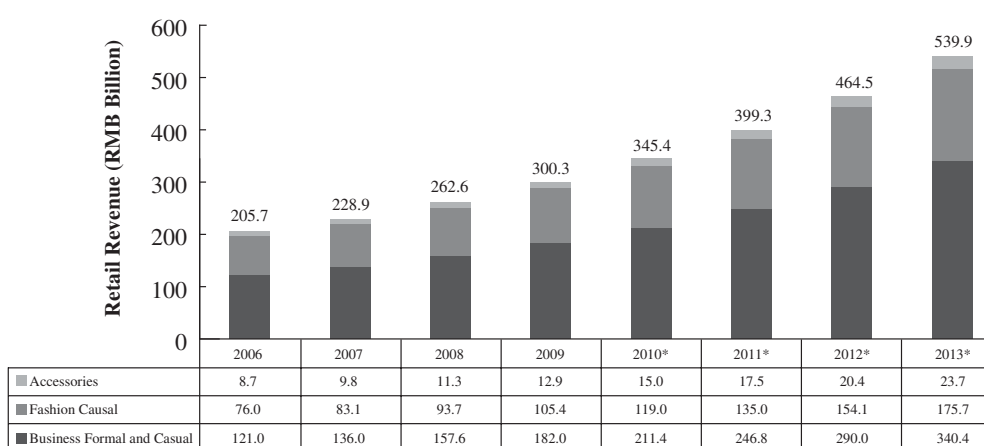
Along with rising customer awareness, the design and quality upgrade of high-end menswear have taken place. Design reflects the brand value of a menswear product and quality is the key to ensure customer satisfaction. Both are essential to ensure the market development of high-end menswear. This factor is expected to have a medium impact on the market size of menswear market in China in the next five years.

INDUSTRY OVERVIEW

Menswear Market Breakdown by Product Type

According to Frost & Sullivan, business formal and casual menswear has been the largest product category during the past years, and is expected to remain the major product group in the Chinese menswear market in the forecast period. In 2009, about 60.6% of the retail revenue was derived from business formal and casual menswear, 35.1% by fashion casual wear, and the remaining 4.3% by accessories. From 2009 to 2013, the market of business formal and casual menswear is expected to grow at a CAGR of 16.9%, and that of fashion casual menswear at 13.6%. In 2013, business formal and casual menswear is expected to reach retail revenue of RMB340.4 billion, and fashion casual menswear is expected to reach retail revenue of RMB175.7 billion in the PRC.

Menswear Market Breakdown by Product Type (China), 2006-2013



Note: All data are rounded. The base year is 2009.

Source: Frost & Sullivan

** Forecast Numbers by Frost & Sullivan*

BUSINESS FORMAL AND CASUAL MENSWEAR SEGMENT

Segment Overview

Frost & Sullivan uses the retail price of a suit (including coat and trousers) as the yardstick to segment Chinese business formal and casual menswear by tier. Generally speaking, the retail price of a suit from luxury brands is mainly above RMB15,000. High-end brands usually set retail price ranging from RMB5,000 to RMB15,000 per suit, while middle to low-end brands provide suits with a retail price less than RMB5,000 each.

As China has no official sub-categorizations of menswear market, the sub-categorizations of business formal and casual menswear and fashion casual menswear market by retail prices of a suit and a set of clothes for spring and autumn respectively are not an official definition in China. Frost & Sullivan does these sub-categorizations based on its experience and industry knowledge in Chinese menswear market, and considers them to be commonly accepted by the industry. Frost & Sullivan has also consulted these sub-categorizations with many leading industry participants from menswear brand companies and menswear retailers as well as industry experts.

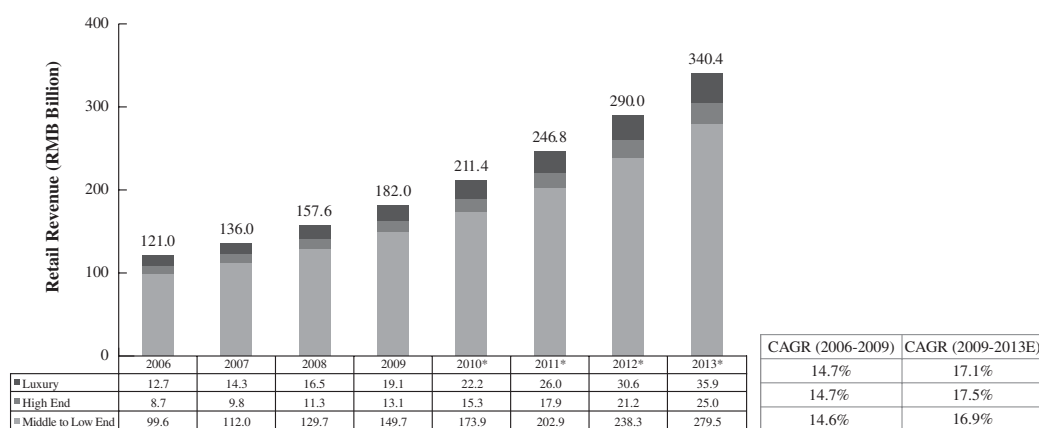
INDUSTRY OVERVIEW

According to Frost & Sullivan, the business formal and casual menswear segment historically was the largest segment in the Chinese menswear market, generating a retail revenue of RMB182.0 billion, or 60.6% of the total menswear market in the PRC in 2009.

In the business formal and casual menswear market segment, luxury, high-end and middle to low-end business formal and casual menswear market accounted for 6.4%, 4.4% and 49.9% of the total menswear retail revenue, respectively. Although the middle to low-end business formal and casual menswear segment still dominates the market, the market share of high-end business formal and casual menswear has grown considerably in recent years.

As more and more consumers prefer menswear with good quality and image, the market of high-end business formal and casual menswear in the PRC is expected to continue to grow during the forecast period. By 2013, the retail revenue of high-end business formal and casual menswear in the PRC is expected to be RMB25.0 billion, representing a CAGR of 17.5% from 2009 to 2013, according to Frost & Sullivan.

Business Formal and Casual Menswear Market Breakdown by Tier (China), 2006-2013



Source: Frost & Sullivan

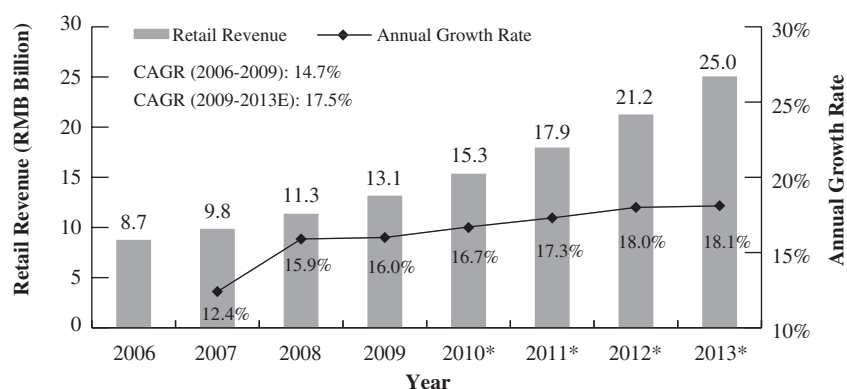
* Forecast Numbers by Frost & Sullivan

High-end Business Formal and Casual Menswear Market

In 2006, the total retail revenue of high-end business formal and casual menswear in the PRC was RMB8.7 billion, while in 2009, the revenue rose to RMB13.1 billion, representing a CAGR of 14.7% from 2006 to 2009. Due to strong market demand, the total retail revenue of high-end business formal and casual menswear is expected to keep rising. By 2013, the retail revenue of high-end menswear in the PRC is expected to be RMB25.0 billion, representing a CAGR of 17.5% from 2009 to 2013, according to Frost & Sullivan.

INDUSTRY OVERVIEW

High-end Business Formal and Casual Menswear Market: Retail Revenue and Forecast (China), 2006-2013



Source: Frost & Sullivan

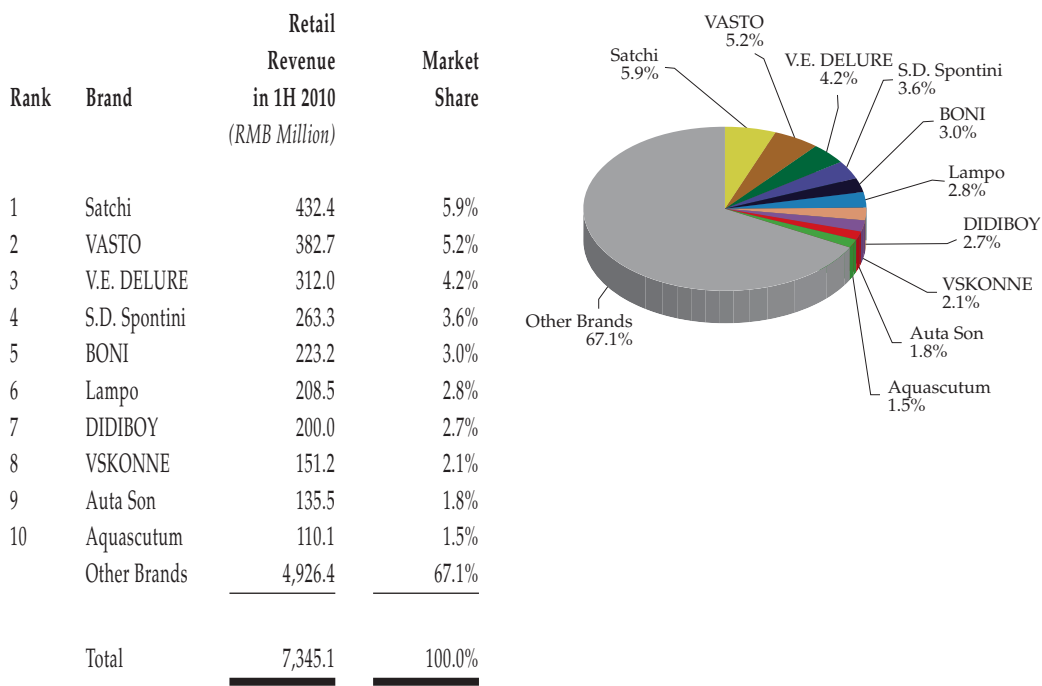
* Forecast Numbers by Frost & Sullivan

Within the high-end business formal and casual menswear market in the PRC in the six months ended 30 June 2010, according to Frost & Sullivan, our brand *V.E. DELURE* ranked third in terms of retail revenue, at approximately RMB312.0 million and captured approximately 4.2% of the market share. According to Frost & Sullivan, *V.E. DELURE* ranked second in terms of number of stores in the Chinese high-end business formal and casual menswear market, with 201 stores (excluding our *V.E. DELURE* Store in Hong Kong). As different menswear operators have different business model (i.e. through wholesale or retail or mixture of both), Frost & Sullivan considers the use of retail revenue (sales amount based on sale to ultimate customers) to be a more consistent and comparable benchmark. (Note that such retail revenue is different from our revenue reported in the Accountants' Report as set out in Appendix I because our revenue includes the amount of wholesale sales at our self-operated Stores to our distributors, while the retail revenue should include the amount of retail sales from *V.E. DELURE* Stores (self-operated and through distributors to ultimate customers.)

	Retail revenue for the six months ended 30 June 2010			Number of Retail Stores as at 30 June 2010		
	Total retail revenue in the market (RMB' million)	Our retail revenue (RMB' million)	Our market share	Our ranking	Our number	Our ranking
<i>V.E. DELURE</i>	7,345.1	312.0	4.2%	3rd	201	2nd

INDUSTRY OVERVIEW

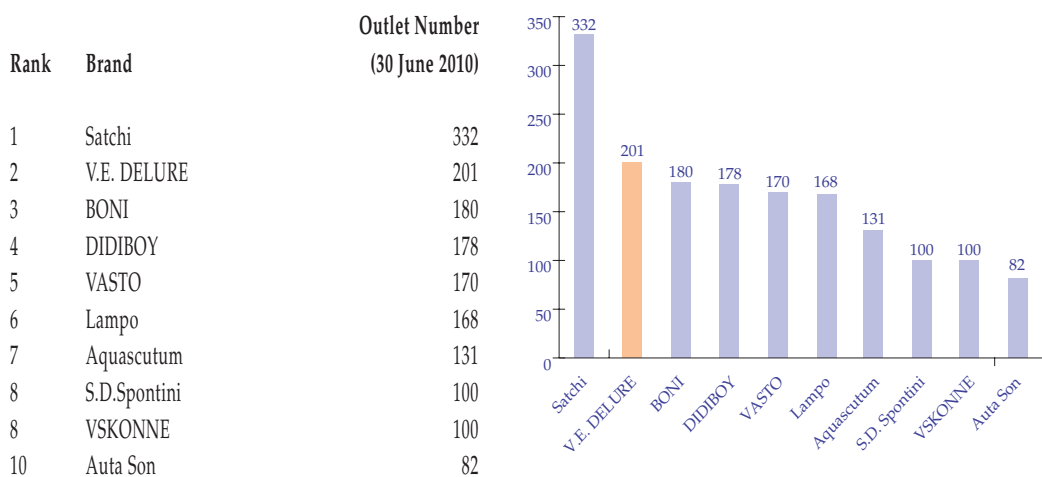
The table and pie chart below set forth the market share by retail revenue of the leading brands in the high-end business formal and casual menswear market in the PRC in the six months ended 30 June 2010. The top brands, such as Satchi, VASTO, V.E. DELURE, BONI, and S.D. Spontini, have been leading the market in the six months ended 30 June 2010. Top ten participants have taken an individual market share ranging from 1.5% to 5.9% by retail revenue in the six months ended 30 June 2010.



Notes: Other bands include Sharmoon, Callisto, Froggie Zila, Deicea, Galaxy, etc.

Source: Frost & Sullivan

The table and chart below set forth the ranking of major brands in terms of outlet number as at 30 June 2010 in the high-end business formal and casual menswear market in the PRC.



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Key Drivers of the High-end Business Formal and Casual Market

(i) *Wider geographic coverage of menswear stores*

With increasing urbanization in China, the number of high-end menswear stores is expected to increase. More cities are likely to be covered by the high-end business formal and casual menswear suppliers.

(ii) *Increasing acceptance of commercial and modern social etiquettes*

The wider acceptance of commercial etiquettes is expected to boost customer demand for high-end business formal and casual menswear in China. As different menswear products suit different occasions, the actual demand for business formal and casual menswear is largely dependent on customers' frequency of commercial activities or social occasions.

(iii) *The emergence of a wealthy customer group*

The emergence of a wealthy customer group, which is less price sensitive but cares more about quality, shapes the foundation of the business formal and casual menswear market. This new customer group is generally well educated and has medium or high incomes. They generally buy menswear of higher quality and better design and, therefore, are the key target group of high-end business formal and casual menswear retailers.

(iv) *Training franchisees by menswear companies*

As more training is provided to the franchisees on management and sales skills, which helps to increase the professionalism of franchisees, sales revenue is expected to increase.

FASHION CASUAL MENSWEAR SEGMENT

Segment Overview

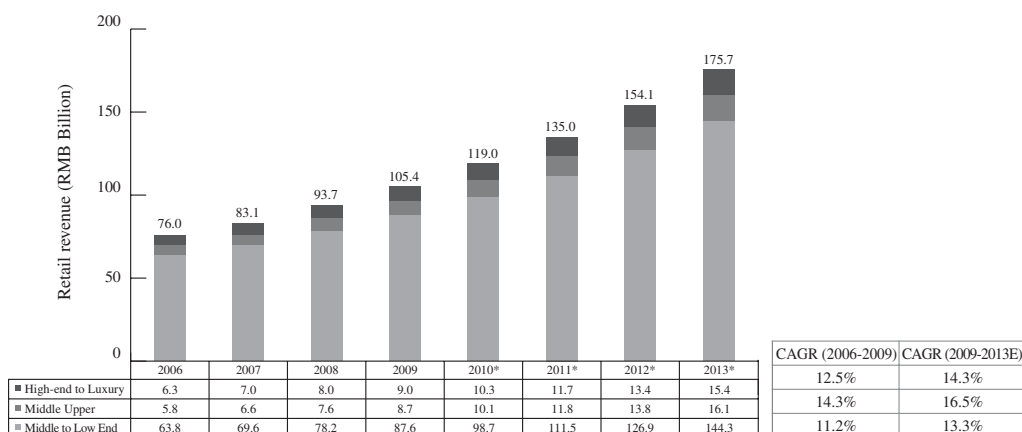
Frost & Sullivan uses the retail price of one set of fashion casual menswear consisting of a jacket and a pair of trousers for spring and autumn as the yardstick to define middle-upper fashion casual menswear in China. According to Frost & Sullivan, fashion casual menswear generated RMB105.4 billion, or 35.1% of the retail revenue of the total menswear market in the PRC in 2009. RMB2,000 to RMB5,000 is the commonly accepted price range of middle-upper fashion casual menswear. Prices above RMB5,000 are generally regarded as the major price range for high-end to luxury fashion casual menswear. Menswear products priced below RMB2,000 are regarded as middle to low-end fashion casual menswear. In 2009, among the fashion casual menswear market, high-end to luxury, middle-upper and middle to low-end fashion casual menswear market accounted for 3.0%, 2.9% and 29.2% of the total menswear retail revenue, respectively. Although middle to low-end fashion casual menswear still dominates the casual menswear market, the market share of middle-upper fashion casual menswear has gradually increased in recent years.

INDUSTRY OVERVIEW

As more Chinese consumers are pursuing a leisure and wealthier lifestyle, more they consumers tend to buy fashion casual menswear of better quality and design. In 2009, the Chinese middle-upper fashion casual market reached RMB8.7 billion in terms of retail revenue, up from RMB5.8 billion in 2006, representing a CAGR of 14.3% from 2006 to 2009.

Along with the increase of the PRC's per capita GDP, Chinese consumers have gained stronger purchasing power. More consumers are able to afford middle-upper fashion casual menswear. The share of the middle-upper fashion casual menswear market is expected to increase from 2010 to 2013. It is also anticipated to be the fastest growing segment in the entire fashion casual menswear category, with an expected CAGR of 16.5% from 2009 to 2013, reaching a retail revenue of RMB16.1 billion in 2013. Based on the above stated price range, our *TESTANTIN* branded products generally fall within the middle-upper market segment.

Fashion Casual Menswear Market Breakdown by Tier (China), 2006-2013



Source: Frost & Sullivan

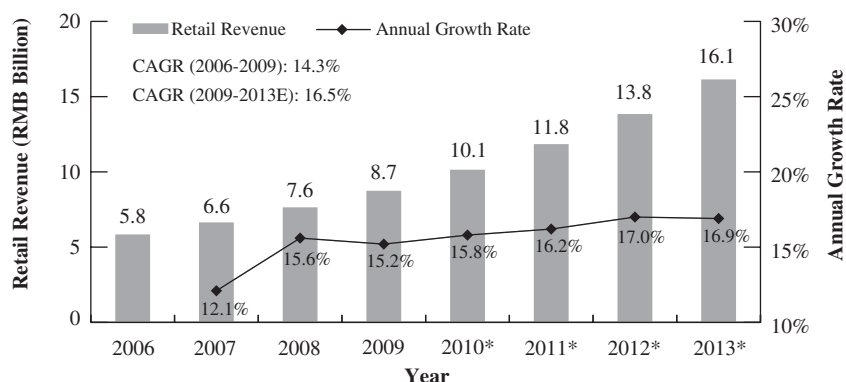
* Forecast Numbers by Frost & Sullivan

Middle-upper Fashion Casual Menswear Market

In 2006, the total retail revenue of middle-upper fashion casual menswear in the PRC was RMB5.8 billion, while in 2009, the revenue rose to RMB8.7 billion, representing a CAGR of 14.3% from 2006 to 2009. Due to consumers' anticipated stronger purchasing power and purchasing will, the total retail revenue of middle-upper fashion casual menswear in the PRC is expected to keep rising. By 2013, the retail revenue of middle-upper fashion casual menswear is expected to be RMB16.1 billion, representing a CAGR of 16.5% from 2009 to 2013, according to Frost & Sullivan.

INDUSTRY OVERVIEW

Middle-upper Fashion Casual Menswear Market: Retail Revenue and Forecast (China), 2006-2013



Source: Frost & Sullivan

* Forecast Numbers by Frost & Sullivan

Key Drivers of the middle-upper Fashion Casual Menswear Market

(i) Prevalence of leisure life style

As the result of more public holidays and higher per capita income of consumers, male consumers are exposed to an increasing number of social occasions, and, as a result, they pay more attention to the leisure life style. Fashion casual menswear is one among the many aspects of this brand-new style.

(ii) Lifting income level of non-business personnel

The increase in income level of non-business personnel is another important driver for the middle-upper fashion casual menswear market. Some non-business occupations, such as artists, musicians, and designers are enjoying higher income than in the past, with the upgrade of artistic appreciation of consumers. This group of consumers is more inclined to purchase fashion casual menswear, especially middle-upper products.

(iii) Increasing channel penetration

More and more newly-added distribution outlets are increasing the accessibility of middle-upper fashion casual menswear, which is likely to further boost sales revenue.

(iv) Improving design-level of fashion casual menswear

A quality design-level of fashion casual menswear is essential to the acceptance of middle-upper fashion casual menswear. With recent industry developments, the design level of middle-upper fashion casual menswear manufacturers has progressed considerably.

REGULATORY OVERVIEW

This section sets out a summary of certain aspects of the PRC laws and regulations, that are relevant to our operation and business.

PRC REGULATION ON PRODUCT LIABILITIES AND QUALITY CONTROL

1. The Law of the PRC on Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法)

Pursuant to the Law of the PRC on Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法) promulgated by the Standing Committee of the National People's Congress (全國人民代表大會) on 31 October 1993 and came into effect on 1 January 1994, both manufacturers and distributors will be held jointly liable for losses and damage suffered by consumers caused by the defective products they manufacture and distribute.

The Law of the PRC on Protection of Consumer Rights and Interests sets out standards of behaviour which business operators must observe in their dealings with consumers, including the following,

- Goods and services provided by the business operators to consumers must comply with the Law of the PRC on Products Quality and other relevant laws and regulations, including requirements regarding personal safety and protection of property;
- Business operators shall provide consumers with authentic information concerning their commodities or services, and may not make any false and misleading propaganda. Business operators shall give truthful and definite replies to inquiries from consumers about the qualities of the commodities or services they supply and the operation methods thereof. Business operators shall mark in their stores clearly the prices of the commodities they supply;
- Business operators who supply commodities or services shall make out for consumers invoices for purchases or documents of services in accordance with relevant regulations of the State or commercial practices; business operators must produce such invoices or documents in case consumers so demand;
- Business operators who are under the obligation of repair or caveat venditor, or other responsibilities in accordance with regulations of the State or agreements with consumers shall carry out such obligations correspondingly according to such regulations or agreements, and may not delay deliberately or refuse unreasonably to do so;
- Business operators shall indicate their real names and marks, and business operators who lease counters or grounds from others shall indicate their own real names and marks;

REGULATORY OVERVIEW

- Business operators may not, through format contracts, notices, announcements, entrance hall bulletins and so on, impose unfair or unreasonable rules on consumers or reduce or escape their civil liability for their infringement of the legitimate rights and interests of consumers. Format contracts, notices, announcements, entrance hall bulletins and so on with contents mentioned in the preceding paragraph shall be invalid.

Violations of the above articles may result in the imposition of fines. In addition, the business operator will be ordered to suspend its operations and its business licence will be revoked. Criminal liability may be incurred in serious cases.

According to the Law of the PRC on Protection of Consumer Rights and Interests, Consumers whose legitimate rights and interests are infringed upon in their purchasing or using commodities may demand compensation from the sellers concerned. In case the liability is on the manufacturers or other sellers who supply the commodities to the said sellers, the said sellers shall, after paying the compensations, have the right to recover the compensations from the manufacturers or the other sellers. Consumers or other victims suffering personal injuries or property damage resulting from defects of commodities may demand compensations either from the sellers or from the manufacturers. If the liability is on the manufacturers, the sellers shall, after paying the compensations, have the right to recover the compensations from the manufacturers; if the liability is on the sellers, the manufacturers shall, after paying the compensations, have the right to recover the compensations from the sellers. Consumers whose legitimate rights and interests are infringed upon in receiving services may demand compensations from suppliers of the services.

2. Product Quality Law of the People's Republic of China (中華人民共和國產品質量法)

According to Product Quality Law of the People's Republic of China (中華人民共和國產品質量法) promulgated by the Standing Committee of the National People's Congress on 22 February 1993 and amended on 8 July 2000, consumers who sustain losses or damages from defective products are entitled to be indemnified by either manufacturers or distributors. Nevertheless, if manufacturers are responsible for the defective products and the losses or damage caused thereby, the distributors which have indemnified consumers for their losses may seek claims on the indemnities against the manufacturers.

Pursuant to the Product Quality Law, a seller shall have the following obligations:

- Sellers shall adopt measures to maintain the quality of products for sale;
- Sellers may not sell any product that has been put into disuse by order of the state and therefore the sale of which has been prohibited or those that have lost effect or have deteriorated;
- Sellers are not allowed to fake the place of origin or fake or use the names and addresses of other producers;

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- Sellers are not allowed to fake or use quality marks such as certification marks and fine quality marks;
- Sellers are not allowed to adulterate the products for sale or pose fake ones as genuine or shoddy ones as good or sub-standard ones as standard;
- Sellers shall ensure that the marks on the products or the packaging of the products are true.

Pursuant to the Product Quality Law, a producer shall have the following obligations:

- Products shall be free from any irrational dangers threatening the safety of people and property. If there are State standards or trade standards for ensuring the health of the human body and safety of lives and property, the products shall conform to such standards. Products shall have the property they are due to have, except cases in which there are explanations about the defects of the property of the products. Products shall tally with the standards prescribed or specified on the packages and with the quality specified in the instructions for use or shown in the providing samples;
- The marks on the products or the package of products shall be true to the fact and satisfy the relevant requirements;
- For products which are easily broken, inflammable, explosive, toxic, erosive or radioactive and products that cannot be handled upside down in the process of storage or transportation or for which there are other special requirements, the package thereof shall meet the corresponding requirements, carry warning marks or warnings written in Chinese or points of attention in handling in accordance with the relevant provisions of the state;
- Producers are forbidden to produce products eliminated according to State laws or decrees;
- Producers are not allowed to fake the place of origin or fake or use the names and addresses of other producers;
- Producers are not allowed to fake or use the quality marks such as certification marks and fine quality product marks;
- Producers shall not adulterate their products or pose fake products as genuine or shoddy products as good or non-standard products as standard.

Violation of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer will be ordered to suspend its operations and its business licence will be revoked. Criminal liability may be incurred in serious cases.

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According to the Product Quality Law, Producers shall be responsible for compensating for damages done to the person or property except the defective products themselves (hereinafter referred to as "property of others") due to the defects of products. Producers shall not be held responsible if they can prove one of the following cases: (a) The products have not been put into circulation; (b) The defects are non-existent when the products are put into circulation; (c) The defects cannot be found at the time of circulation due to scientific and technological reasons.

PRC ENVIRONMENTAL PROTECTION LAWS

The main PRC environmental protection laws and regulations include: the Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Water Pollution, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on the Prevention and Control of Pollution From Environmental Noise and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge.

Pursuant to The Environmental Protection Law of the PRC (the "Environmental Protection Law") (中華人民共和國環境保護法) effective as at 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council ("ASDEP") shall establish national standards for environmental quality control. The governments of provinces, autonomous regions and municipalities directly under the Central Government may establish their own local standards for environmental quality control for the items not specified in the national standards and shall report them to the ASDEP for its record.

The Environmental Protection Law requires all enterprises and institutions that cause environmental pollution and other public hazards to incorporate and implement environmental protection policies into their plans and establish a responsibility system for environmental protection. These enterprises and institutions shall adopt effective measures to prevent and control the pollution and damage to the environment from waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

Installations for the prevention and control of pollution in a construction project shall be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned, until its installations for the prevention and control of pollution are examined and assessed to be up to the standard by the competent department of environmental protection administration which examines and approves the environmental impact statement.

New construction projects, expansion, reconstruction projects and other installations which directly or indirectly discharge pollutants into the water body shall be subject to the state regulations on environmental protection of construction projects according to the Law of the PRC on Prevention and Control of Water Pollution (中華人民共

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和國水污染防治法) amended on 28 February 2008 and came into effect on 1 June 2008 and the Implementation Rules of 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實施細則) effective as at 20 March 2000. Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall report to and register with the local environmental protection department at or above the county level their existing facilities for discharging and treating water pollutants, and the categories, quantities and concentrations of water pollutants discharged under their normal operation conditions, and also submit technical information concerning prevention and control of water pollution to such department.

Enterprises and institutions that discharge pollutants directly into a water body shall pay a pollutant discharge fee counted on the basis of categories, quantities and collection standards of the water pollutants discharged.

New construction projects, expansion, or reconstruction projects that discharge pollutants into the air shall be subject to state regulations on environmental protection of construction projects under the Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) amended on 29 April 2000 and effective as at 1 September 2000. Enterprises and institutions that discharge atmospheric pollutants shall report their existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions to the local concerning prevention and control of atmospheric pollution to such department.

The PRC government implements a system of collecting fees for discharging pollutants on the basis of the categories and quantities of the atmospheric pollutants discharged, and establishes reasonable standards for collecting the fees hereinbefore according to the needs of strengthening prevention and control of atmospheric pollution and the State's economic and technological conditions.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Noise (中華人民共和國環境噪聲污染防治法) effective as at 1 March 1997, new construction projects, expansion, or reconstruction projects shall be subject to the state regulations on environmental protection of construction projects. If noise pollutions are generated due to the use of fixed facilities during industrial production, the industrial enterprise shall report to the competent local administrative department of environmental protection at or above the county level about the categories and quantities of noise discharging facilities, the noise volume of noise discharged under normal operation conditions and the conditions of the facilities that prevent and control noise pollution. Meanwhile, the enterprise shall submit to the same department their technical information concerning prevention and control of noise pollution. Industrial enterprises which discharge noise shall take treatment measures and pay a fee for excess discharge according to State regulations.

As at 1 April 2005, producers, distributors, importers and users of a product shall be responsible for the prevention and control of the solid wastes it generates or discharges under the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) amended on 29 December 2004 and effective as at 1 April 2005.

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PRC LABOR LAWS

Effective as at 1 January 2008, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers under the Labor Contract Law of the PRC (the "Labor Contract Law") (中華人民共和國勞動合同法). Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, the labor wages shall not be lower than local standards on minimum wages and shall be paid to the laborers timely.

According to the Labor Law of the PRC (中華人民共和國勞動法) promulgated on 5 July 1994 and effective as at 1 January 1995, enterprises and institutions shall establish and perfect their system of work place safety and sanitation, strictly abide by State rules and standards on work place safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with State-fixed standards. The enterprises and institutions shall provide laborers with work place safety and sanitation conditions which are in compliance with State stipulations and relevant articles of labor protection.

The PRC Law for Promotion of Employment (中華人民共和國就業促進法), promulgated by NPC Standing Committee on 30 August 2007 and effective as at 1 January 2008, provides that no employee can be discriminated in employment by reason of ethnic group, race, gender, or religious belief. The employer should neither refuse, nor request higher conditions for, the employment of any woman, merely because of such gender; and no provision limiting any woman employee in marriage and child-bearing is allowed in the labor contract. The employer should not refuse the employment of anybody just because of such person being an infection pathogen carrier, unless otherwise stated by laws and regulations. Additionally, enterprises should allocate the employee education fund intended for occupational training and further education of employees, violation of which may result in punishment imposed by the labor administration.

SOCIAL INSURANCE REGULATIONS

Pursuant to the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費徵繳暫行條例) promulgated and implemented on 22 January 1999 by the State Council, the Interim Measures Concerning the Maternity Insurance of Enterprise Employees (企業職工生育保險試行辦法) promulgated on 14 December 1994 and implemented on 1 January 1995 by former Ministry of Labor, the Regulation Concerning the Administration of Housing Fund (住房公積金管理條例) promulgated and implemented on 3 April 1999 and amended on 24 March 2002 by the State Council, the Regulation on Occupational Injury Insurance (工傷保險條例) promulgated on 27 April 2003 by the State Council and implemented on 1 January 2004, the employer shall pay the pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational injury insurance fund, maternity insurance fund and housing fund for the employees.

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PRODUCTION SAFETY LAWS

Effective as at 1 November 2002, enterprises and institutions shall be equipped with the measures for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards under the PRC Production Safety Law (the "Production Safety Law") (中華人民共和國安全生產法). Any entity that is not equipped with the measures for safe production is not allowed to engage in production and business operation activities. Enterprises and institutions shall offer education and training programs to the employees thereof regarding production safety.

The designing, manufacturing, installation, using, checking, maintenance, repairing, reforming and disposal of safety equipments shall be in conformity with the national standards or industrial standards. In addition, enterprises and institutions shall provide labor protective equipments and articles that reach the national standards or industrial standards to the employees thereof, supervise and educate them to use these equipments and articles according to the prescribed rules.

PRC INCOME TAX LAW

According to the Enterprise Income Tax ("EIT") Law of the PRC (中華人民共和國企業所得稅法) enacted on 16 March 2007 and the Implementation Regulations of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) enacted on 6 December 2007 (collectively the "Income Tax Law"), which both took effect on 1 January 2008, the EIT for both domestic and foreign-invested enterprises are unified at 25%. For those enterprises established before 16 March 2007 and entitled to preferential income tax treatments by tax related laws and administrative regulations, the Income Tax Law provides for a five-year transitional period, during which the applicable EIT rate shall be converted to the unified rate at 25% gradually.

According to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (國務院關於實施企業所得稅過渡優惠政策的通知) issued on 26 December 2007 and took effect on 1 January 2008, enterprises that enjoy "2-year exemption and 3-year half payment," "5-year exemption and 5-year half payment" of the enterprise income tax and other preferential treatments in the form of periodic tax deductions and exemptions in the past may, after the Income Tax Law took effect on 1 January 2008, continue to enjoy the relevant preferential treatments under the preferential measures and the time period set out in the previous tax law, administrative regulations and relevant documents until the expiration of the said time period. However, the preferential time period applicable to an enterprise shall start to run from 2008 if such enterprise has not enjoyed the preferential treatments yet because of its failure to make profits. In addition, enterprises which were entitled to a preferential income tax at the rate of 15% will gradually be levied on the unified 25% tax within five years commencing on 1 January 2008. The transitional tax rates applied to the enterprises entitled to the 15% preferential rate are 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012. Enterprises which previously enjoyed the 24% preferential tax rate are imposed with the unified 25% tax rate from 1 January 2008. Further, the tax preferential treatments applied to enterprises within the designated great western development region in the PRC of western area will continue to be applied.

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According to the Income Tax Law, income such as dividends, rental, interest and royalty from the PRC derived by a Non-Resident enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to FIEs and their investors.

According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income effective on 1 January 2007 (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is 5%, if the Hong Kong enterprise owns at least 25% of the PRC enterprise. According to the Notice of the State Administration of Taxation on issues relating to the administration of the dividend provision in tax treaties promulgated on 20 February 2009 (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), the corporate recipients of dividends distributed by Chinese enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

INTERIM PROVISIONS RELATING TO THE DOMESTIC INVESTMENT OF FOREIGN-FUNDED ENTERPRISES

According to the Interim Provisions on the Domestic Investment of Foreign-funded Enterprises formulated by the Ministry of Foreign Trade and Economic Cooperation and the State Administration for Industry and Commerce promulgated and came into force as at September 1, 2000, in the event a FIE invest in and establish a company in the encouraged or permitted category, the FIE may directly apply for registration procedures with the AIC authority of the place where the said investee company is located, while a FIE invest in and establish a company in the restricted category, the FIE shall submit an application for approval to the provincial level authority for foreign trade and economic cooperation of the place where the said investee company is located. A FIE is not allowed to invest in or establish a company in the prohibited category.

REGULATIONS RELATING TO FOREIGN CURRENCY EXCHANGE

Under the Foreign Currency Administration Rules (中華人民共和國外匯管理條例) promulgated by the State Council in 1997 and amended in 1998 and 2008 and various regulations issued by SAFE, and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires prior approval from SAFE or its local office. Domestic entities are permitted to free retain their current exchange earnings according to their needs of operation.

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PRC REGULATION ON FOREIGN INVESTORS INVESTING IN COMMERCIAL SECTORS

On 25 June 1999, with the approval from State Council, the State Economic and Trade Commission and Ministry of Foreign Trade and Economic Cooperation issued and implemented Measures for Commercial Enterprises with Foreign Investment (the "Measures") (外商投資商業企業試點辦法). The Measures allowed Sino-foreign equity joint venture or Sino-foreign cooperative joint venture commercial retail enterprises ("Joint Venture Commercial Enterprises") to be incorporated in capital cities of provinces and autonomous regions, municipalities directly under the central government, municipalities under independent development plans and special economic zones ("Trial Zones"). Wholly foreign-funded commercial enterprises were not permitted to be incorporated for the time being. Joint Venture Commercial Enterprises were subject to review and approval of the State Economic and Trade Commission and Ministry of Foreign Trade and Economic Cooperation. The Measures set higher standards for both Chinese and foreign investors:

- (1) foreign investors of Joint Venture Commercial Enterprises applying for retail businesses engagement must maintain an annual average turnover of more than US\$2 billion three years prior to the application and total assets of over US\$200 million a year prior to the application;
- (2) foreign investors of Joint Venture Commercial Enterprises applying for wholesale businesses engagement must maintain an annual average turnover of more than US\$2.5 billion three years prior to the application and total assets of more than US\$300 million a year prior to the application.
- (3) Chinese substantial investors should be liquid enterprises with comparatively stronger economical background and higher operating capacity, with total assets of more than RMB50 million (RMB30 million for middle and western regions of the PRC). In the case of Chinese investors as commercial enterprises, an annual average turnover of more than RMB300 million (RMB200 million for western region of the PRC) three years prior to the application must be maintained; in the case of Chinese investors as foreign trading business, an annual average import and export turnover of more than US\$50 million (with no less than US\$30 million for export) three years prior to the application must be maintained.

The Measures also mentioned that the registered capital of Joint Venture Commercial Enterprises engaged in retail business could not be less than RMB50 million (RMB30 million for middle and western regions of the PRC) and the registered capital of Joint Venture Commercial Enterprises engaged in wholesale business could not be less than RMB80 million (RMB60 million for middle and western regions of the PRC).

In order to fulfill the undertaking in respect of the opening up of commercial sector for PRC's entry to WTO, the Ministry of Commerce issued the Measures for Administration on Foreign Investment in Commercial Fields (the "Measures of Administration") (外商投資商業領域管理辦法) on 16 April 2004 which took effect on 1 June 2004. The Measures of Administration abolished the original higher standard of requirements for foreign investors, allowed Sino-foreign equity joint venture, Sino-foreign cooperation and wholly foreign-funded commercial enterprises (collectively

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the "Foreign-invested Commercial Enterprises") to engage in commission agency, wholesale, retail and franchise businesses. The establishment of shops of those Foreign-invested Commercial Enterprises which engage in retail business was restricted to the Trail Zones prior to 11 December 2004. Since 11 December 2004, the restriction of zones has been abolished; the restriction of zones for those Foreign-invested Commercial Enterprises which engage in wholesale business has been abolished since 1 June 2004. The incorporation of Foreign-invested Commercial Enterprises is subject to review and approval of the MOC and its authorized provincial ministry of commerce and should nevertheless meet the following conditions:

- (1) registered capital in compliance with the requirement of PRC Companies Law;
- (2) compliance with the standard total investment and registered capital requirements for foreign-invested enterprises; and
- (3) in general, Foreign-invested Commercial Enterprises' term of operation not exceeding 30 years and Foreign-invested Commercial Enterprises' term of operation in the middle and western regions of the PRC not exceeding 40 years.

According to the Measures of Administrations and Notice of the Ministry of Commerce on Entrusting Local Departments to Check Foreign-Funded Commercial Enterprises (關於委託地方部門審核外商投資商業企業的通知) issued by the MOC on 9 December 2005 and took effect on 1 March 2006, Foreign-invested Commercial Enterprises fulfilling the conditions below and were engaged in retail business by opening stores in provincial administrative regions or China national economic and technical development zones were subject to rights of review and approval of the local authorities and report to the MOC:

- (1) no more than 3 stores and the total gross floor area of a single store shall not exceed 5000 sq.m. and the total number of similar stores opened by the foreign investors through Foreign-invested Commercial Enterprises in the PRC shall not exceed 30;
- (2) no more than 5 stores and the total gross floor area of a single store shall not exceed 3000 sq.m. and the total number of similar stores opened by the foreign-investors through Foreign-invested Commercial Enterprises in the PRC shall not exceed 50; or
- (3) total gross floor area of a single store shall not exceed 300 sq.m.

In terms of wholesale enterprises, except for those operations involving television, phone, mailing order, internet, vending machines, or sales products involving steel, precious metal, ironstone, fuel oil, caoutchouc and other significant raw materials, and specific commodities such as books, newspapers, magazines, vehicles, medicines, pesticide, agricultural film, chemical fertilizers, refined oil, food, vegetable oil, sugar and cotton, other wholesale enterprises are subject to review and approval of local authorities and required to report to the MOC.

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According to Article 23 of the Measures of the Administration, where a foreign-funded enterprise invests in commercial fields within the PRC, it shall accord with the Interim Provisions on Investment of Foreign-funded Enterprises in China (關於外商投資企業境內投資的暫行規定) ("Interim Provisions"), and refer to the Measures of the Administration. According to the Interim Provisions, a "re-investment company of foreign-funded enterprise" means a foreign-invested limited company which is duly established within the PRC, which then either, sets up a new company or acquires equity interest in the other company within the PRC. As the shareholder of Guangzhou Changyue, Evergreen Guangdong, is a foreign-funded limited company established in the PRC, Guangzhou Changyue shall be regarded as a re-investment company of a foreign-funded enterprise in commercial fields and therefore fell within the scope of the Measures of the Administration.

According to the Notice of Ministry of Commerce on Delegation of Approval Power for Foreign-Funded Commercial Enterprises (商務部關於下放外商投資商業企業審批事項的通知) issued by the MOC on 12 September 2008 and taking effect on the same day, all the establishments of foreign-funded commercial enterprises and all the alterations of established foreign-funded commercial enterprises shall be subject to review and approval by competent provincial Ministries of Commerce (省級商務主管部門), and report to the MOC; however, the MOC retains the approval power upon the enterprises which are doing business not by opening stores but via television, telephone, mail, internet, vending machine and the enterprises which are engaged in the wholesale of audio-visual products or the sales of books, newspapers and magazines.

With respect to our two self-operated Retail Stores located in shopping malls in Shanghai and Guangzhou which were set up on 20 July 2009 and 6 April 2010 by Guangzhou Changyue, respectively, the PRC Legal Advisor has respectively confirmed with the Department of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳), which is the competent authority to approve the establishment and organizational changes of Guangzhou Changyue, and Shanghai Municipal Commission of Commerce (上海市商務委員會), which is the competent authority to approve the establishment and organizational of a foreign-funded enterprise in Shanghai Municipal, that since Guangzhou Changyue is a re-investment company of a foreign-funded enterprise and engaged in clothing wholesale and retail businesses, no approval was required in relation to the establishment of the two retail stores. The PRC Legal Advisor advised that according to the major responsibilities (主要職能) of the Department of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳), it is a department of the People's Government of Guangdong Province which is in charge of foreign trade and economic cooperation and responsible for administrating foreign investment, drafting and implementation of administrative measures relating to foreign investment. Department of Foreign Trade and Economic Cooperation of Guangdong Province and Shanghai Municipal Commission of Commerce are similar authorities in respect of its administration of foreign investment. Both of them are the provincial branches of MOC (省級商務主管部門). As advised by the PRC Legal Advisor, based on the above confirmation, Guangzhou Changyue is not required to obtain the approval from the competent provincial ministry of commerce for its retail outlets. The relevant laws of the PRC only stipulate that setting up retail stores by a foreign-funded enterprise shall obtain the approval from the Provincial Ministries of Commerce but do

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not specify whether an approval from the Provincial Ministries of Commerce is required for setting up of retail stores by a re-investment company of a foreign-funded enterprise. As the Department of Foreign Trade and Economic Cooperation of Guangdong Province and Shanghai Municipal Commission of Commerce are competent authorities in charge of foreign investment in commercial fields, the PRC Legal Advisor is of the opinion that such government departments have the relevant authorities to decide whether or not the Group is required to obtain approval for setting up of the two self-operated Retail Stores. Since the aforesaid two Retail Stores were set up by Guangzhou Changyue rather than Evergreen Guangdong, Evergreen Guangdong was not required to obtain any approvals for the establishment of the two Retail Stores. The PRC Legal Advisor has further confirmed that all necessary approvals have been obtained for our wholesale distribution and retail business. The Directors have also confirmed that these two Retail Stores are the only Stores in the PRC operated by us to sell products directly to ultimate customers as our other self-operated Stores in shopping malls and department stores operate on a concessionary basis.

According to Article 3 and Article 9 of the Measures for Administration, the definition of "wholesale" refers to the selling of goods to retailers, customers of industry, commerce and organizations, or to other wholesalers or providing relevant ancillary services, and "retail" is defined as selling goods for consumption and use of individuals or groups or providing relevant ancillary services at fixed locations or through television, telephone, mail order, internet, and automat. Therefore, the PRC Legal Advisor is of the opinion that since the self-operated Stores of Guangzhou Changyue and Guangzhou Changzhuxing settle the concessionary sale of products with department stores and shopping malls rather than receive payment directly from the ultimate customers, such distribution model shall be regarded as wholesale sales. Further, the wholesale business is within the approved business scope of Guangzhou Changyue and Guangzhou Changzhuxing approved by the Department of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳), the competent provincial Ministry of Commerce in Guangdong Province. So, Guangzhou Changyue and Guangzhou Changzhuxing are permitted by relevant laws and regulations in the PRC to engage in wholesale business. In rendering such legal opinion, the PRC Legal Advisor has confirmed that all relevant registration and approval procedures required have been obtained and the distribution model adopted by us was in compliance with the Measures and the approved business scope of Guangzhou Changyue and Guangzhou Changzhuxing.

The Measures for the Administration of Sales Promotion Activities of Retailers (《零售商促銷行為管理辦法》) (the "Measures for Promotion") is applicable to Guangzhou Changyue which has two Retail Stores selling our products to the ultimate customers and is regarded as a retailer as described in the Measures for Promotion. The Measures for Promotion, however, do not apply to Evergreen Guangdong or Guangzhou Changzhuxing because these companies did not engage in retail business during the Track Record Period.

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According to the Measures for Promotion, a retailer, when undertaking sales promotion activities, should follow the principles of lawfulness, fairness and good faith and may not impair the lawful rights and interests of consumers and other business operators. Furthermore, when undertaking sales promotion activities, a retailer should show the promotion contents at an eye-catching place in its business site and clearly mark the prices on the price tags; a retailer may not cheat or induce the consumers to buy commodities by taking a misleading price method or reduce the quality of the promotion commodities. No retailer may undertake any sales promotion activity by making up a reason such as rummage sale or shifting to another business. Where any retailer's act is in violation of the Measures for Promotion and such act is also in violation of any other laws or regulations, such other laws or regulations shall govern. Otherwise, the Measures for Promotion apply and the retailer may be ordered to make corrections and imposed a fine of not exceeding RMB30,000.

We enter into distributorship agreements with our distributors directly to sell our self-owned brands products. Based on the fact that our distributors and us are independent entities and the distributorship agreements expressly stipulate that our distributors shall be responsible for their own liability and indebtedness in relation to the distribution of our products within their defined geographic area, the PRC Legal Advisor is of the view that any non-compliance with relevant laws and regulations by our distributors will not result in any liability to our Group. Since our distributors are independent entities and do not constitute members of our Group, we are not in a position to ascertain whether all of our distributors' Retail Stores have obtained all licenses, permits and approvals necessary for their operations or complied with all applicable laws and regulations.

We do not have direct contractual relationship with the sub-distributors during the Track Record Period. We rely on our distributors to oversee them. Should any of the distributors deviate from the terms in the distributorship agreements with respect to the actions of the sub-distributors, we may terminate the agreements with such distributors. Therefore, we are not in a position to ascertain whether these sub-distributors' Retail Stores have obtained all licenses, permits and approvals necessary for their operations.

RULES ON MERGER AND ACQUISITION

On 18 August 2007, Mr. Chan, through Evergreen Guangdong, acquired all the equity interests in each of Guangzhou Changyue and Guangzhou Changzhuxing from several domestic persons in the PRC. For details, please refer to the subsection headed "Corporate Development and Structure" in the "History, Reorganization and Group Structure" section. As Evergreen Guangdong is a foreign-invested enterprise established in the PRC, the PRC Legal Advisor is of the opinion that the acquisition of 100% equity interest in each of Guangzhou Changyue and Guangzhou Changzhuxing, respectively, by Evergreen Guangdong shall be governed by Interim Provisions rather than Article 2 of the Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors which is only applicable to the acquisition of a PRC domestic enterprise by a foreign investor. As Evergreen Guangdong is a foreign-funded limited company established in the PRC rather than a foreign investor and both Guangzhou Changyue and Guangzhou Changzhuxing upon acquisition by Evergreen Guangdong are re-investment companies of a

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foreign-funded enterprise rather than foreign-funded enterprises, the PRC Legal Advisor confirmed that the Article 2 of the Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investor are not applicable to the aforesaid acquisitions. Furthermore, the aforesaid acquisitions have been approved by The Department of Foreign Trade and Economic Cooperation of Guangdong Province, being the competent authority for granting such approval in August 2007, and relevant required registration procedures with Guangzhou AIC, as required under the Interim Provisions, have been completed, the PRC Legal Advisor is of the opinion that the Group has complied with the applicable legal requirements.

FOREIGN INVESTMENT INDUSTRIAL GUIDANCE

According to applicable PRC regulations on Foreign-invested enterprise, capital contributions from a foreign holding company to its PRC subsidiaries, which are considered foreign-invested enterprises (or foreign-funded enterprises), may only be made when the approval by the Ministry of Commerce or its local counterpart is obtained. In approving such capital contributions, the Ministry of Commerce or its local counterpart examines the business scope of each foreign-invested enterprise (or foreign-funded enterprise) under review to ensure it complies with the Foreign Investment Industrial Guidance Catalogue, which classifies industries in China into three categories: "encouraged foreign investment industries," "restricted foreign investment industries" and "prohibited foreign investment industries."

According to the "Guideline Catalogue of Foreign Investment Industries" promulgated on 30 November 2004, by the State Development and Reform Commission and the Ministry of Commerce, revised on 7 November 2007 and enforced on 1 December 2007, investments and operation in the area of menswear are classified as permitted foreign investment projects. None of the companies within the Group is engaged in any of the "restricted foreign investment industries" or "prohibited foreign investment industries."

REGULATIONS RELATING TO DIVIDENDS DISTRIBUTION

The principal regulations governing dividend distributions by wholly foreign owned enterprises includes: The PRC Company Law (中華人民共和國公司法); The Wholly Foreign Owned Enterprise Law (1986), as amended (中華人民共和國外資企業法); and The Wholly Foreign Owned Enterprise Law Implementing Rules (1990), as amended (中華人民共和國外資企業法實施細則).

Under these law and regulations, wholly foreign owned enterprises in the PRC may pay dividends only out of their retained earnings, if any, determined in accordance with the PRC accounting standards and regulations. Additionally, a wholly foreign-owned enterprise is required, as other enterprises subject to PRC laws, to set aside at least 10% of its after tax profits each year, if any, to fund statutory reserve funds until the cumulative amount of such funds reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Under the relevant PRC law, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

REGULATORY OVERVIEW

PRC TRADEMARK LAW

The period of validity of a registered trademark shall be ten years, to be counted from the date of approval of the registration under the Trademark Law of the PRC (中華人民共和國商標法) promulgated on 23 August 1982, amended as at 22 February 1993 and 27 October 2001. The administrative authority for industry and commerce has the power to investigate and handle any act of infringement of the exclusive right to use a registered trademark according to the Trademark Law and relevant regulations. Where the case is so serious that it constitutes a crime, in addition to compensating for the losses suffered by the infringed, shall be investigated into for the criminal responsibilities according to law.

Any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- (1) using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark;
- (2) selling the commodities that infringe upon the right to exclusive use of a registered trademark;
- (3) forging, manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;
- (4) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and
- (5) causing other damage to the right to exclusive use of a registered trademark of another person.

In the event of any above mentioned acts which infringe upon the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately, and give the infringed party compensation.

Saved as disclosed above and in this section, our business and operations in the PRC are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses operating in the PRC.

REGULATORY OVERVIEW

VALUE-ADDED TAX

Pursuant to the Provisional Regulations of the PRC Concerning Value-Added Tax ("VAT Regulations") promulgated by the State Council which was subsequently amended and came into effect on 1 January 2009 and its Implementation Rules, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

A company, if it is not qualified as a small-scale VAT tax payer, is subject to value added tax at the rate of 17% on the sale and import of goods (unless (i) the goods fall within Article 2(2) of the VAT Regulations, such as grain, water, gas and newspapers, in which case the VAT rate is 13%; and (ii) the goods are agricultural products produced by a company itself specified in the Notice on issuing Interpretation of Tax Range of Agricultural Products, in which case the VAT is exempted) as well as on processing, repair and replacement services. Goods exported will be taxed at a rate of 0%, except where otherwise determined by the State Council. A company importing goods will pay value added tax on the total value of the goods. Our applicable value-added tax rate is 17%.

COMPETITION LAW

The relevant PRC laws in relation to competition in the commercial field is Anti Unfair Competition Law of the PRC and Anti-monopoly Law of the PRC, both of which are applicable to us.

Pursuant to the the Anti-unfair Competition Law of the PRC (the "Competition Law"), which was promulgated on 2 September 1993 and came into effect on 1 December 1993. The Competition Law provides that business operators shall not undermine their competitors by engaging in the following improper market activities:

- infringement of trademark rights or confidential business information;
- false publicity through advertising or other means, or forgery and dissemination of false information that infringes upon the goodwill of competitors or the reputation of their products; and
- other improper practices, including commercial bribery, cartels, dumping sales at below-cost prices, and offering prizes as sales rebates illegally.

Violations of the Competition Law may result in the imposition of fines and, in serious cases, revocation of its business license as well as incurrence of criminal liability.

Pursuant to the Anti-monopoly Law of the PRC, which was promulgated on 30 August 2007 and came into effect on 1 August 2008, monopoly agreements shall not be made between operators. Those operators that have dominant market positions shall not abuse their positions to eliminate or restrict competition. Operator consolidation which has or may have the effect of eliminating or restricting market competition is prohibited. Where an operator violates the Anti-monopoly Law of the PRC, the competent authorities order a halt to illegal activities, confiscate illegal earnings and impose a fine.

REGULATORY OVERVIEW

REGULATORY COMPLIANCE

As at the Latest Practicable Date, the PRC Legal Advisor, has advised us, and the Directors have confirmed that except as may be otherwise disclosed in this document, we have in all material aspects complied with all relevant laws and regulations in the PRC necessary for conducting our business operations and we have obtained all the necessary permits and licenses for our current operations in the PRC.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

BUSINESS DEVELOPMENT

Mr. Chan, our Chairman, and his two brothers, Mr. Chen Yunan and Mr. Chen Minwen, all our executive Directors, began their business in managing and distributing international high-end and luxury-branded goods in China in the 1990s before starting our business. The Chan Brothers were first introduced to the distributor of two well-known French apparel/accessories brands through their personal network in or about 1994 and subsequently entered the sales and distribution business of international menswear and accessories brands. During the period from 1998 to 2000, the Chan Brothers were primarily engaged in the sale and distribution of the two above mentioned French apparel/accessories brands, and during the same period, Evergreen Asia was used as a channel of procurement of materials and products relating to the sale and distribution of these two brands. Through these earlier business ventures, our key management personnel have accumulated extensive experience in, and exposure to, the distribution of international brands, and have built up personal networks and business relationships with distributors of menswear, reputable department stores and shopping malls in the PRC, and members of the advertising and media industries in the PRC.

Leveraging their experience and networks, the Chan Brothers developed and launched our *V.E. DELURE* brand in 2000 when Guangzhou Dilai was established. During the period from 2000 to 2005 until the establishment of Guangzhou Changyue, the business activities of *V.E. DELURE* were primarily conducted through Guangzhou Dilai. Upon the establishment of Guangzhou Changyue in 2005, Guangzhou Dilai's business was gradually assumed by Guangzhou Changyue.

Guangzhou Dilai was a company established under the laws of the PRC on 28 July 2000 with an initial registered capital of RMB1,000,000 and was initially held by Chen Han Bin, first cousin once removed of Mr. Chan, as to 60% and Chen Mianna, sister of Mr. Chan, as to 40%. When Guangzhou Dilai was set up in 2000, the Chan Brothers were still involved in the sale and distribution of the two French apparel/accessories brands and at the same time, also focused on the business development aspect of our newly launched *V.E. DELURE* business. In order to focus on the above and for the purpose of reducing administrative burden of the procedural steps and other administrative tasks that were required to be carried out by the registered holders and/or legal representative in establishing and running a PRC company, Chen Yunan and Chen Minwen decided to rely on their sister (Chen Mianna) and other relatives to carry out such tasks. In 2003, when Chen Han Bin left Guangzhou Dilai to pursue his own business interests, he ceased to hold the interests in and resigned as a legal representative of Guangzhou Dilai and Chen Mianna was appointed as the legal representative of Guangzhou Dilai. Chen Han Bin's registered interests were transferred to Jiang Yi Hong, a cousin of Mr. Chan. After injection of RMB1,800,000 in the capital of Guangzhou Dilai by Chen Mianna (on behalf of Chen Yunan) and RMB200,000 by Jiang Yi Hong (on behalf of Chen Minwen), the registered capital of Guangzhou Dilai was RMB3,000,000, which was held by Chen Mianna as to 80% and Jiang Yi Hong as to 20% on trust for Chen Yunan and Chen Minwen respectively. On 5 April 2004, the ownership percentage of Chen Mianna and Jiang Yi Hong in Guangzhou Dilai was changed to 88.75% and 11.25% respectively. Changes in Chen Mianna's and Jiang Yi Hong's registered interests in Guangzhou Dilai reflected the respective change in the actual investment amount in Guangzhou Dilai contributed by Chen Yunan and Chen

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Minwen. On 3 January 2008, Chen Mianna, due to family commitments and personal health problems, gave up her role as legal representative to Jiang Yi Hong. At the same time, Chen Yunan and Chen Minwen agreed to have Jiang Yi Hong hold on trust for them their respective interest in Guangzhou Dilai and Jiang Yi Hong became the sole interest holder of Guangzhou Dilai. During the Track Record Period, (i) Chen Mianna has been a director of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing; (ii) Chen Han Bin has been working in the warehouses of Guangzhou Changyue; and (iii) Jiang Yi Hong has been working in the finance department of Guangzhou Dilai. The roles of Chen Mianna, Chen Han Bin and Jiang Yi Hong within the Group will remain the same after [●].

Beginning with Guangzhou Dilai's establishment, the Chan Brothers were responsible for its overall strategic planning, management and business development and operational work until its business was assumed by Guangzhou Changyue. Chen Mianna was responsible for managing its purchasing team until 2008 when she left her position in Guangzhou Dilai due to family commitments and personal health problems. After the transfer of its business to Guangzhou Changyue, and up to its deregistration in 2010, its administrative work was carried out by Jiang Yi Hong.

Guangzhou Dilai began the distribution of products under the *V.E. DELURE* brand in 2000. Evergreen Asia, a company controlled by Mr. Chan, imported raw materials and products to Guangzhou Dilai from overseas. In or about 2005, the Chan Brothers decided to restructure the business structure in order to have more flexibility in managing future licensed brands (if any) in addition to our self-operated brands. They considered that the first step of such restructuring was to differentiate the name of the brand from that of the company owning it. Since the Chinese name of the *V.E. DELURE* brand and the Chinese name of Guangzhou Dilai bear the same Chinese characters "迪萊", Guangzhou Changyue was established in 2005 to operate the *V.E. DELURE* brand and avoid confusion of the Chinese names.

After the establishment of Guangzhou Changyue, Guangzhou Dilai gradually stopped entering into new arrangements/contracts and subsequent new contracts with the then existing distributors, department stores and shopping malls were entered into by Guangzhou Changyue. However, in order to minimize the effects of such restructuring on the prior commitments with the distributors, department stores and shopping malls and to not affect the long-term relationship with them built by Guangzhou Dilai, our management took the view that during such transition period, prior arrangements/commitments with the distributors, department stores and shopping malls should be honoured by Guangzhou Dilai until all such prior arrangements/commitments expired or terminated. Therefore, even with the establishment of Guangzhou Changyue in 2005, Guangzhou Dilai did not promptly cease operation and was not deregistered in order to complete its prior arrangement/commitments with its customers and to allow time for Guangzhou Changyue to assume the then existing customers.

In 2007, as Guangzhou Dilai gradually reduced its business activities, it transferred to Guangzhou Changyue and Evergreen Guangdong certain fixed assets (mainly office equipment and motor vehicle) in the approximate amount of RMB575,000 and RMB953,000 respectively. As it gradually reduced its business, Guangzhou Dilai incurred losses during the Track Record Period.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Since Guangzhou Dilai finished all prior commitments in 2009 and has since remained inactive, Guangzhou Dilai was resolved to be deregistered. Guangzhou Dilai has been deregistered since 14 July 2010. As advised by the PRC Legal Advisor, the deregistration of Guangzhou Dilai will not result in any liability or obligation against the Directors and/or senior management of the Group.

The table below sets out the approximate transaction amounts of Evergreen Guangdong, Guangzhou Changyue, Guangzhou Changzhuxing and Guangzhou Dilai for the years ended 31 December 2005 to 2009:

		Transaction amounts for the Financial Year ended 31 December (approx. RMB)				
Transaction type with Guangzhou Dilai		2005	2006	2007	2008	2009 ^(Note 7)
Evergreen Guangdong	Purchase	473,000 ^(Note 3)	-	159,000 ^(Note 3)	-	-
	Sale	-	2,283,000 ^(Note 1)	3,517,000 ^(Note 1)	-	-
Guangzhou Changyue	Purchase	426,000 ^(Note 2)	-	5,064,000 ^(Note 2)	80,000 ^(Note 2)	-
	Sale	-	-	50,000 ^(Note 1)	-	-
Guangzhou Changzhuxing	Purchase	1,126,000 ^(Note 4)	51,000 ^(Note 4)	-	4,000 ^(Note 5)	-
	Sale	3,751,000 ^(Note 6)	-	-	-	-

Notes:

1. During 2006 and 2007, Guangzhou Dilai, in order to complete its prior commitments to its remaining customers, depending on its then existing inventory type and level, would need to buy additional *V.E.DELURE* products such as shirts, T-shirts and shoes etc from the Group to fulfill such commitments. Depending on the type of stock required by Guangzhou Dilai, the actual products would then be sourced from Evergreen Guangdong and/or Guangzhou Changyue.
2. Upon the establishment of Guangzhou Changyue in June 2005, Guangzhou Dilai gradually stopped entering into new contracts with its then existing *V.E.DELURE* distributors and after ensuring its ability to meet the demand of its remaining customers including fulfilling any prior commitment to its existing customers, Guangzhou Dilai began to transfer to Guangzhou Changyue its remaining stock of *V.E.DELURE* products including shirts, jackets, suits, pants and other accessories as it gradually reduced its business activities.
3. Prior to the establishment of Evergreen Guangdong, depending on its specific needs and requirements, Guangzhou Dilai would outsource further processing or alteration work to external independent manufacturers. Upon the establishment of Evergreen Guangdong by the Group in May 2005 which is principally engaged in manufacturing and sale of clothing and clothing accessories, Guangzhou Dilai began to sell to Evergreen Guangdong its then existing inventory of *V.E.DELURE* apparel products which required further processing or alteration work, including but not limited to, refinement and adding of buttons, branding tags and/or other components in order to be sold to customers.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

4. In 2005 and 2006, several *TESTANTIN* self-operated Stores of Guangzhou Changzhuxing offered promotional discounts to promote its *TESTANTIN* products. Guangzhou Dilai considered that it may also utilize such a platform to sell some of its past seasons *V.E.DELURE* apparel products including suits, jackets and sweaters.
5. In 2008, Guangzhou Dilai sold to Guangzhou Changzhuxing a small amount of accessory products so that Guangzhou Changzhuxing could put them on sale in its *TESTANTIN* self-operated Stores to help Guangzhou Dilai to further reduce its inventory as it continued to gradually reduce its business activities.
6. Guangzhou Changzhuxing sold *TESTANTIN* products to Guangzhou Dilai for about RMB3.8 million in 2005 because three customers of Guangzhou Dilai that distributed *V.E.DELURE* products during that time were also interested in exploring the sale of *TESTANTIN* products during the initial launch of our *TESTANTIN* brand in 2005. Therefore such sale was conducted through Guangzhou Dilai on a trial basis for the above-mentioned customers of Guangzhou Dilai. When our *TESTANTIN* brand became more established, such customers subsequently became customers of and bought directly from Guangzhou Changzhuxing for sale of our *TESTANTIN* products. Therefore, since 2006 onwards, there has been no more sale from Guangzhou Changzhuxing to Guangzhou Dilai.
7. Since 2009, there have been no more sale and purchase transactions between Guangzhou Dilai and any member of our Group.

To restructure our corporate structure, the following companies of the Group were established in 2004 and 2005, with Evergreen Guangdong being primarily responsible for our material sourcing and production functions, Guangzhou Changyue being primarily responsible for the sale and distribution of products of our *V.E. DELURE* brand and Guangzhou Changzhuxing being primarily responsible for licensed distribution of other brands of products such as Harmont & Blaine and CARTIER and the sale and distribution of products of our later established *TESTANTIN* brand. On 18 August 2007, Mr. Chan, through Evergreen Guangdong, acquired all the equity interests of Guangzhou Changyue and Guangzhou Changzhuxing to consolidate his interest in us. For details, please refer to the below subsection headed "Corporate Development and Structure."

As at 30 June 2010, there were 202 *V.E. DELURE* Stores, consisting of, one Store in Hong Kong and 201 Stores in 121 cities in 27 provinces/municipals/autonomous regions of the PRC.

Due to the increasing consumption power in the PRC, we believed that the potential demand for casual menswear is strong, we anticipated that it was the appropriate time to expand into this market segment. In order to broaden our brand and product offerings and customer base, we launched the *TESTANTIN* brand in 2005. The number of *TESTANTIN* Stores has since grown to 66 as at 30 June 2010, consisting of 2 Stores in Hong Kong and remaining Stores in 49 cities in 14 provinces/municipals/autonomous regions of the PRC. Our Directors believe that our *TESTANTIN* and *V.E. DELURE* dual-brand strategy allows us to segment our target menswear markets with unique brand names that cater and appeal to different consumer groups of different ages, disposable income levels, fashion tastes and preferences.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

From August 2004 to August 2009, we acted as the sole distributor for an Italian menswear brand, Harmont & Blaine, in the PRC. Our distributorship agreement for the Harmont Blaine brand expired in August 2009. By mutual agreement, both parties decided not to renew the licensing arrangement. Since the termination of the arrangement, we will focus our efforts on our self-owned menswear brands. We are also an authorized dealer of CARTIER's accessories sold in three CARTIER Stores in Fuzhou, Xiamen and Nanning, all of which are operated by us.

Since the 1990s, we have successfully evolved from a distributor of international brands to a menswear enterprise in the PRC with our own middle-upper and high-end menswear brands while also strategically engaging in selective licensed brand distribution for renowned international brand.

CORPORATE DEVELOPMENT AND STRUCTURE

Evergreen International was incorporated on 18 August 2004 in Hong Kong. The authorised share capital of Evergreen International was HK\$1.0 million divided into 1,000,000 shares of HK\$1.00 each and was wholly-owned by Mr. Chan until the Reorganization as described below.

Evergreen Guangdong was established as a sino-foreign enterprise in the PRC on 12 May 2005 and held as to 70% by Evergreen International and as to 30% by Guangzhou Dilai. The initial registered capital of Evergreen Guangdong was HK\$12.0 million and was contributed proportionally by Evergreen International and Guangzhou Dilai. On 14 December 2006, Guangzhou Dilai transferred its 30% equity interest in Evergreen Guangdong to Evergreen International for consideration of HK\$4.0 million, determined based on the net asset value of Evergreen Guangdong as at 31 July 2006 of RMB12.7 million. As at 14 December 2006, Evergreen Guangdong was wholly-owned by Evergreen International and became a wholly foreign owned enterprise (WFOE) in the PRC. Evergreen Guangdong is primarily responsible for our sourcing of materials, management of production outsourcing and sampling, packaging, production and post-finished processing products.

Guangzhou Changyue was established on 8 June 2005 in the PRC and held as to 60% by Chen Yunan and as to 40% by Chen Minwen, both brothers of Mr. Chan. The registered capital of Guangzhou Changyue was RMB1.0 million and was contributed proportionally by Chen Minwen and Chen Yunan. To consolidate Mr. Chan's control of Guangzhou Changyue under the Group, on 18 August 2007, Evergreen Guangdong acquired 100% of the equity interest in Guangzhou Changyue from Chen Minwen and Chen Yunan for an aggregate consideration of RMB1.38 million determined, based on an independent asset valuation of Guangzhou Changyue as at 31 December 2006 of approximately RMB1.3 million. No intangible assets were separately identified during the acquisition. For details of the acquisition, please refer to note 27 "Business Combination" to the Accountants' Report in Appendix I. As at 18 August 2007, Guangzhou Changyue was wholly owned by Evergreen Guangdong. Guangzhou Changyue is primarily responsible for the sale and distribution of our products under the *V.E. DELURE* brand in the PRC.

Guangzhou Changzhuxing was established on 15 January 2004 in the PRC and held as to 60% by Chen Jiachang and as to 40% by Jiang Shunzhu, parents of Mr. Chan. The

HISTORY, REORGANIZATION AND GROUP STRUCTURE

initial registered capital of Guangzhou Changzhuxing was RMB1.0 million and was contributed proportionally by Chen Jiachang and Jiang Shunzhu. On 24 March 2005, the registered capital of Guangzhou Changzhuxing was increased to RMB5.0 million in such proportion by Chen Jiachang and Jiang Shunzhu so as to result in the registered capital of Guangzhou Changzhuxing being held as to 72% by Chen Jiachang and 28% by Jiang Shunzhu. To consolidate Mr. Chan's control of Guangzhou Changzhuxing under the Group, on 18 August 2007, Evergreen Guangdong acquired 100% of the equity interest in Guangzhou Changzhuxing from Chen Jiachang and Jiang Shunzhu for an aggregate consideration of RMB4.8 million, determined based on an independent asset valuation of Guangzhou Changzhuxing as at 31 December 2006 of approximately RMB 4.8 million. No intangible assets (other than goodwill) were separately identified during the acquisition. For details of the acquisition, please refer to note 27 "Business Combination" to the Accountants' Report in Appendix I. As at 18 August 2007, Guangzhou Changzhuxing was wholly owned by Evergreen Guangdong. Guangzhou Changzhuxing is primarily responsible for the sale and distribution of our products under the *TESTANTIN* brand and the operation of our three CARTIER Stores. Chen Jiachang was a supervisor of Evergreen Guangdong, during the Track Record Period and was a supervisor of Guangzhou Changyue and Guangzhou Changzhuxing since 28 November 2007. Jiang Shunzhu was a director of Evergreen Guangdong during the Track Record Period. The roles of Chen Jiachang and Jiang Shunzhu will remain the same after [●].

As advised by the PRC Legal Advisor, except for the remaining increased share capital of HK\$47,923,900 of Evergreen Guangdong which is only required to be paid up before 14 July 2012, all the registered share capital and/or increased share capital of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing, being the principal subsidiaries of the Group, have been properly paid up in accordance with applicable PRC laws. Evergreen International intends to use the dividend to be distributed by Evergreen Guangdong to pay up such required share capital before 14 July 2012.

On 13 July 1998, Mr. Chan acquired Evergreen Asia, then a shelf company, with one share (representing 50% of the issued share capital) held by Mr. Chan and one share (representing the other 50% of the issued share capital) held by Ms. Ng Yin Shan, wife of Mr. Chan. At the time of acquiring the then shelf company, Mr. Chan arranged for his wife to hold one share as nominee for him, as under the Companies Ordinance then in force, a Hong Kong company is required to have at least two registered shareholders. Such nominee arrangement was evidenced by a declaration of trust executed by Ng Yin Shan. On 13 October 2006, Ng Yin Shan transferred her one share in Evergreen Asia to Mr. Chan at par value of HK\$1.00. On 9 October 2006, the authorised share capital of Evergreen Asia was increased to HK\$10,000. Evergreen Asia was wholly owned by Mr. Chan from 13 October 2006 until the Reorganization as described below. Evergreen Asia is principally engaged in the import and export of materials, garment products and accessories.

Shortly after the incorporation of Master (HK), then a shelf company, in January 2004, Mr. Chan also arranged for the accountant who assisted Mr. Chan in acquiring Master (HK), Mr. Leung Ka Wa, to hold one share as nominee for him. Such nominee arrangement was evidenced by a declaration of trust executed by Mr. Leung Ka Wa. The issued share capital of Master (HK) was HK\$2.00. On 9 March 2005, Mr. Leung Ka Wa

HISTORY, REORGANIZATION AND GROUP STRUCTURE

transferred the one share in Master (HK) back to Mr. Chan. Master (HK) was wholly owned by Mr. Chan until the Reorganization as described below. Master (HK) is principally engaged in the sale and distribution of our products under both the *V.E. DELURE* brand and the *TESTANTIN* brand in Hong Kong.

Richwood was incorporated on 1 July 2004 in the BVI and was wholly owned by Mr. Chan until the Reorganization as described below. The issued share capital of Richwood was US\$1.0. Richwood holds our trademarks, other than those registered in France.

VEDS was incorporated on 22 October 2001 in France and was owned by Mr. Chan and his family members before the Reorganization as described below. The registered capital of VEDS amounted to 8,000 euros. VEDS holds certain of our trademarks that are registered in France.

PRC Government Approvals

Pursuant to the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicles (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) ("Notice 75") promulgated by SAFE on 21 October 2005 and effective on 1 November 2005, the establishment of offshore special purpose vehicles directly set up by or indirectly controlled by "domestic residents" must be registered with the local branch of SAFE (the "Round-trip Investment"). Further, the acquisition of shares or assets of domestic companies by such offshore special purpose vehicles must be registered with SAFE. Failure to complete such registration may result in difficulties in the foreign exchange transactions conducted by such domestic companies, including without limitation, those for the purpose of dividend repatriation. On 29 May 2007, SAFE promulgated the Notice on the Operational Rules for the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicles (關於印發《國家外匯管理局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》操作規程的通知) ("Notice 106"). Notice 106 specifies the requirements of the Round-trip Investment that can be registered under Notice 75.

As advised by the PRC Legal Advisor, Notice 75 is not applicable to Mr. Chan, our ultimate controlling shareholder, since he is a Hong Kong permanent resident.

On 8 August 2006, MOC, the State Assets Supervision and Administration Committee (國務院國有資產監督管理委員會), the State Taxation Bureau (國家稅務總局), the State Administration of Industry and Commerce (國家工商行政管理總局), the China Securities Regulatory Committee (中國證券監督管理委員會) and SAFE jointly issued a set of new Rules on the Acquisition of Domestic Enterprises by Foreign Investors (as amended, re-promulgated and effective on 22 June 2009)《關於外國投資者併購境內企業的規定》(the "Foreign Investors M&A Rules"). The Foreign Investors M&A Rules require that an application shall be made to MOC for examination and approval of the acquisition of any company inside China affiliated with a domestic company, enterprise or natural person, which is made in the name of an overseas company lawfully established or controlled by such domestic company, enterprise or natural person. The Foreign Investors

HISTORY, REORGANIZATION AND GROUP STRUCTURE

M&A Rules also provide that the certain event carried out by a special purpose company controlled directly or indirectly by PRC companies or individuals on overseas must be approved by the China Securities Regulatory Committee.

As advised by the PRC Legal Advisor, since (i) our ultimate shareholder is a Hong Kong permanent resident, (ii) Evergreen Guangdong has been a foreign investment enterprise since the time of establishment, and (iii) the acquisitions of Guangzhou Changyue and Guangzhou Changzhuxing by Evergreen Guangdong are categorized as investments by foreign investment enterprise within the PRC, [●] is not subject to the Foreign Investors M&A Rules and does not require the approval of the China Securities Regulatory Committee.

The Reorganization

We underwent the Reorganization to rationalize our structure in preparation for [●]. As a result, the Company became our holding company. The major steps of the Reorganization are set out below:

- (a) On 14 December 2006, Guangzhou Dilai transferred to Evergreen International 30% of the equity interest in Evergreen Guangdong, at a cash consideration of HK\$4,000,000 which was settled on 16 April 2007.
- (b) On 18 August 2007, Mr. Chen Yunan and Mr. Chen Minwen transferred to Evergreen Guangdong their respective 60% and 40% equity interests in Guangzhou Changyue at an aggregate cash consideration of RMB1,380,000, which was settled on 3 July 2008 and 29 April 2009.
- (c) On 18 August 2007, Mr. Chen Jiachang and Ms. Jiang Shunzhu transferred to Evergreen Guangdong their respective 72% and 28% equity interests in Guangzhou Changzhuxing at an aggregate cash consideration of RMB4,800,000, which was settled on 20 June 2008.
- (d) On 1 January 2008, (i) 255 shares of VEDS were transferred from Mr. Chen Yunan to Mr. Chan for cash at par value of the shares; and (ii) five shares of VEDS were transferred from Ms. Ng Yin Shan, the wife of Mr. Chan, to Mr. Chan for cash at par value of the shares.
- (e) On 16 April 2008, Sunsonic was incorporated under the laws of the BVI with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each.
- (f) On 26 June 2008, the Company was incorporated under the laws of the Cayman Islands with an authorized share capital of US\$50,000 of US\$1.00 each, and one share of US\$1.00 in its share capital was issued and allotted to the initial subscriber on the same day. On 18 July 2008, one share of the Company of US\$1.00 was transferred from the initial subscriber to Pacific Success for cash at par value of the shares.
- (g) On 18 July 2008, one share of Sunsonic was allotted and issued to the Company.

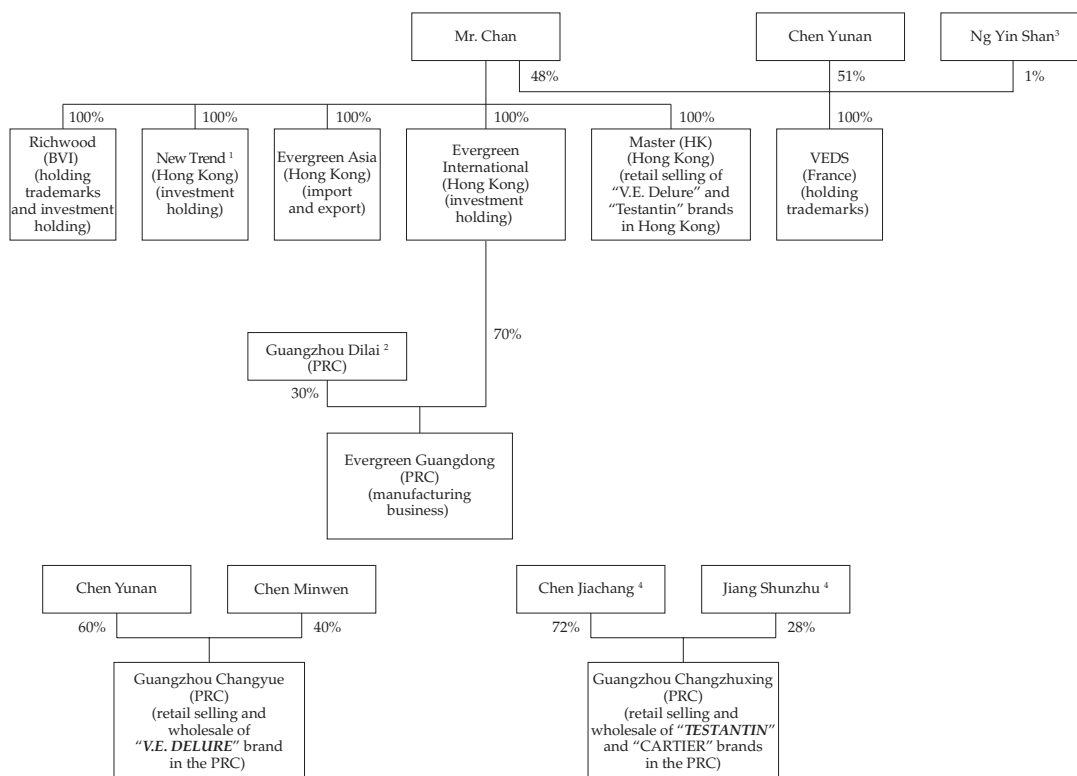
HISTORY, REORGANIZATION AND GROUP STRUCTURE

- (h) On 18 July 2008, one share of Richwood, representing its then-entire issued share capital, was transferred from Mr. Chan to Sunsonic for cash at par value of the shares.
- (i) On 8 August 2008, 500 shares of VEDS of 16 euros each, representing its then-entire issued share capital, were transferred from Mr. Chan to Richwood for cash at par value of the shares.
- (j) On 29 August 2008, (i) 10,000 shares of Evergreen Asia, representing its then-entire issued share capital, were sold by Mr. Chan to Sunsonic for cash at par value of the shares; (ii) two shares of Master (HK), representing its then entire issued share capital, were transferred from Mr. Chan to Sunsonic for cash at par value of the shares; and (iii) one share of Evergreen International was transferred from Mr. Chan to Sunsonic for cash at par value.
- (k) On 16 September 2008, 999,999 shares of Evergreen International were transferred by Mr. Chan to Sunsonic for cash at par value of the shares. Following the aforesaid transfer, Sunsonic owned the then-entire issued share capital of Evergreen International.
- (l) On 11 February 2010, the authorized share capital of the Company was increased from US\$50,000 to the aggregate of US\$50,000 and HK\$1,000,000 by the creation of an additional 1,000,000,000 Shares.
- (m) On 11 February 2010, 600,000,000 Shares were issued and allotted to Pacific Success at par value of the shares.
- (n) On 11 February 2010, the one share of US\$1.00 of the Company held by Pacific Success was repurchased by the Company at par value of the shares.
- (o) On 11 February 2010, the authorised but unissued share capital of the Company was reduced by the cancellation of 50,000 shares of US\$1.00 each.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Group Structure

The following chart sets out the Group's structure immediately before the commencement of the Reorganization:

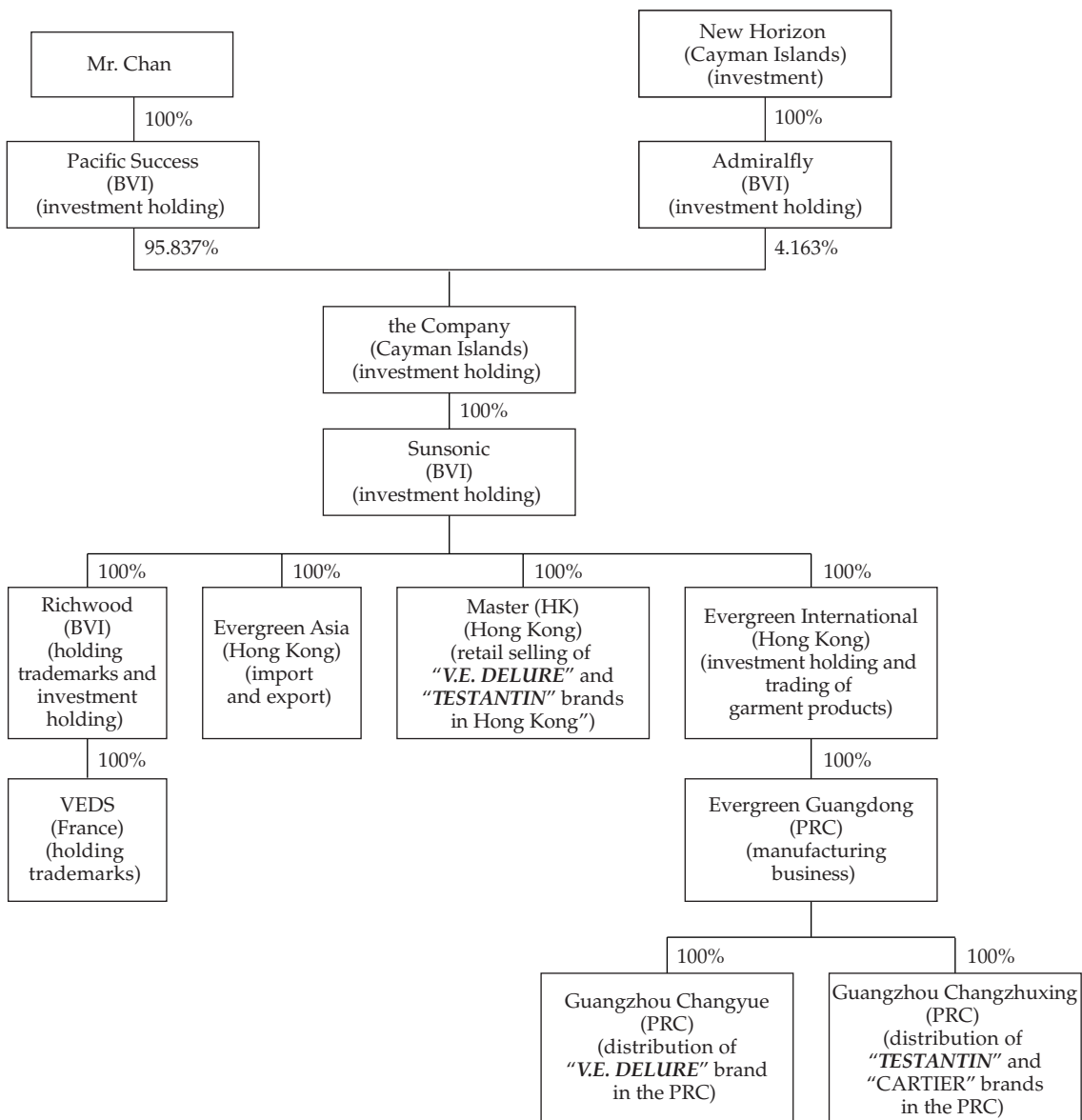


Notes:

1. Not a member of the Group for [●]. It conducted no business activity following the transfer of all trademarks to Richwood and is therefore not included in the Group.
2. Not a member of the Group for [●] and has been deregistered since 14 July 2010.
3. Mr. Chan's wife.
4. Mr. Chan's parents.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

The following chart sets out the Group's structure after the Reorganization and the investment by New Horizon and immediately before [●]:



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OVERVIEW

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

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

During the Track Record Period, we primarily utilized two distribution channels to manage our self-owned brands: (i) our self-operated Retail Stores; and (ii) Retail Stores operated by distributors and sub-distributors. For self-operated Retail Stores, we source products and sell to end customers. For Retail Stores operated by distributors, we enter into distributorship agreements with distributors, pursuant to which they purchase products from us and then sell to end customers in general. In addition, commencing in 2009, we started to provide large volume made-to-order services to certain entities for

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their employees. Sales made through this channel continued in the six months ended 30 June 2010. For further information on our distribution channels, please refer to the section headed "Business – Sales and Distribution" in this document.

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

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

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

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

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

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Notes:

1. The sales of *TESTANTIN* products through *TESTANTIN* self-operated Stores decreased in the year ended 31 December 2009 primarily because we launched a series of promotional events at our *TESTANTIN* self-operated Stores in Hong Kong offering 10% to 60% discounts to customers in 2009 in response to the highly competitive retail market in Hong Kong and the generally difficult economic environment in Hong Kong as a result of the global economic crisis and the closing of two *TESTANTIN* stores in Hong Kong in late 2008. Our sales to *TESTANTIN* distributors increased in the year ended 31 December 2009 mainly because (i) the full year effect of our sales to certain other distributors in 2009 appointed in 2008 that did not operate through Retail Stores; (ii) the full-year effect in 2009 arising from the 15 newly opened *TESTANTIN* Stores operated by the distributors located in the PRC in 2008; and (iii) the number of *TESTANTIN* Stores operated by the distributors located in the PRC increased from 47 as at 31 December 2008 to 51 as at 31 December 2009. The four newly-opened *TESTANTIN* stores in 2009 were opened in the second half of 2009 when the economic conditions after the financial crisis began to improve.
2. From August 2004 to August 2009, we acted as the sole distributor for an Italian menswear brand, Harmont & Blaine, in the PRC. The distributorship agreement for the Harmont & Blaine brand expired in August 2009. According to the distributorship agreement, we had nine months to sell the remaining stocks after the agreement was terminated. Beginning in early 2008, we started to act as an authorized dealer of CARTIER accessories which are sold in two CARTIER Stores, one in Fuzhou and the other in Nanning, both of which are operated by us. In September 2010, we opened our third CARTIER Store in Xiamen.
3. Our customers consisted of end customers and distributor customers. Our end customers include retail customers that purchased products directly from us through our self-operated Stores and corporate customers that purchased large volume made-to-order products directly from us through our corporate sales. Our distributor customers purchased products from us and then sell to the end customers in general.

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

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

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For details of an analysis of revenue and gross profit margin by brands, sales channels and geographical region, please refer to the section headed "Financial Information" in this document.

Our primary focus is on managing our brands and distribution network through our branding, research, design and distribution capabilities. We enjoy the benefits of an asset-light business model as we outsource the production of most our apparel and accessory products to Independent Third Party outsourced manufacturers. Our production facilities in Huadu District, Guangzhou in Guangdong Province primarily engage in sampling, packaging and post-finished processing of the apparel produced by our outsourced manufacturers and manufacturing a small portion of our own apparel. We have a stringent quality control system to ensure high product quality.

The apparel products that bear the *V.E. DELURE* and *TESTANTIN* labels are principally designed by our in-house design team located in Guangzhou. Designs are always developed consistently with our designated brand strategy and theme as set out in the "The Branding Portfolio" section below.

Our design team keeps abreast of the latest trends and developments in new designs and types of fabric, primarily through attending fashion shows and trade exhibitions in the PRC, Italy and France, and through other means such as studying domestic and international fashion magazines. Our design team also works closely with our sales and marketing team to understand the latest market needs and tastes.

Our key revenue and earnings drivers during the Track Record Period included: economic growth in the PRC, urbanization in the PRC, pricing of our products and cost control measures, size of our retail network, our ability to differentiate us from our competitors, our ability to continuously maintain and enhance brand recognition and awareness, business performance of shopping malls, department stores and distributors and our working relationship with them, cost of raw materials, seasonality and weather, purchase costs of outsourced products and external production arrangements and taxation. Our Directors have confirmed that given that the Group is principally focusing on its business in the PRC market, save and except for the general market environment which affects consumers' confidence, the recent economic conditions in Hong Kong and abroad have not had a material adverse effect on our assets, business or financial position.

Beginning in early 2008, we started to act as an authorized dealer of CARTIER accessories in designated CARTIER Stores in the PRC. Each CARTIER agreement entered into with Richemont governs one of our Stores selling CARTIER accessories. The agreements do not give us exclusive licensing or distribution rights within any geographical area and we are not required to pay any royalty or minimum guaranteed fee. We purchase the accessory products directly from Richemont at the prices determined by a price list that is in force at the time of delivery and we sell the products at the recommended retail prices determined by Richemont. Certain CARTIER accessories are covered under the CARTIER international warranty. The CARTIER Stores that we operate follow the shop design directives issued by Richemont. Among other terms, we are also required to devote sufficient display area to CARTIER accessories, ensure that sales of CARTIER accessories are to end-customers and submit to regular monitoring by CARTIER representatives. The distribution agreements can be terminated by Richemont if we fail to meet our obligations under the agreements. For further details of the material terms of these distributorship agreements, please refer to the section headed, "Business – Branding Strategy – II. Licensed Brands – CARTIER" in this document.

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In May 2010, we entered into several agreements with Admiralfly, a special purpose vehicle set up and wholly-owned by New Horizon for the purpose of investing in the Company, New Horizon is a limited liability partnership established and registered in the Cayman Islands, focusing on equity investment in China. For further details, please refer to the section headed "Financial Investor" in this document.

COMPETITIVE STRENGTHS

We believe that our success to date is attributable to the following principal competitive strengths:

A leading PRC menswear brand operator with two proprietary brands targeting different customer bases in the middle-upper to high-end market segments

Our dual brands cater to consumers with different needs, tastes and consumption patterns and cover two fast growing segments in the PRC menswear market, the high-end business formal and casual menswear market through our *V.E. DELURE* brand, and the middle-upper fashion casual menswear market through our *TESTANTIN* brand.

We have operated *V.E. DELURE*, a leading brand in the high-end menswear market, for about 10 years. According to the Frost & Sullivan Report, our brand *V.E. DELURE* generated a retail revenue of RMB502.3 million for the year ended 31 December 2009, representing a 3.8% share of the high-end business formal and casual menswear market in the PRC in 2009, ranking us third behind competitors that had market shares of 5.3% and 4.6%. For the six months ended 30 June 2010, our *V.E. DELURE* brand generated retail revenue of RMB312.0 million, increasing our market share to 4.2% in the segment. Our *V.E. DELURE* brand offers business formal and casual menswear and accessories targeting affluent and successful men between the ages of 35 to 50 with a brand theme of "Love."

Building on our success with *V.E. DELURE*, we created *TESTANTIN*, targeting a younger and more fashion conscious age group of the middle-upper menswear market segment, in 2005. *TESTANTIN* offers contemporary and chic casual menswear and accessories targeting men between the ages of 25 to 40 with a brand theme of "artistic expression and simplicity." Although still at a relatively early stage of development, sales of *TESTANTIN* products experienced a revenue growth of 14.1% in 2009 compared to 2008. In addition, revenue from sales of our *TESTANTIN* products increased from approximately RMB21.6 million for the six months ended 30 June 2009 to approximately RMB30.6 million for the six months ended 30 June 2010, representing an increase of 41.7%. We believe our *TESTANTIN* brand has a large growth potential in the fast growing PRC middle-upper fashion casual menswear market.

We believe our dual-brand portfolio, our broad range of products, our experience in operating PRC menswear brands and our sales and marketing plans position us well to capitalize on the different growth characteristics of the market segments we target which may experience different growth rates at different points of the economic cycle.

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Effective branding and marketing strategy

We believe that an effective branding and marketing strategy is crucial to the success in our target menswear market as it can differentiate us from our competitors and create recognition of the values of our brands and products. We have a dedicated marketing team that is responsible for the marketing and promotional activities of *V.E. DELURE* and *TESTANTIN*.

We have marketed our *V.E. DELURE* products under the general theme of "Love," which we believe exemplifies our core values and design inspiration. During the Track Record Period, we implemented various marketing strategies that integrated the theme of "Love" such as (i) "Love of Success and Champions" and (ii) "Love and Compassion."

For the "Love of Success and Champions" marketing strategy, we sponsored various events related to affluent and successful persons in China. For example, we are the sponsor of formal attire for the PRC national table tennis team since 2006. To further enhance our brand awareness, we also entered into an arrangement with The Management Centre of Table Tennis and Badminton in February 2010 to sponsor the PRC national badminton team for their formal attire for a term of five years from January 2010 to December 2015. We sponsored the "Table Tennis and China" cultural exhibition in 2008. We believe that the involvement of the PRC national table tennis and badminton teams in our marketing campaigns is a highly effective method to increase our brand awareness, given the popularity of such sports in the PRC and the leading results and rankings that the table tennis and badminton players have achieved in the world. We believe that these players are highly regarded among the PRC community and our sponsorship of their teams is consistent with our theme of "Love of Success and Champions." We also believe our ability to secure such sponsorships differentiates us from our competitors and is evidence of our brand and product recognition. Between 2006-2009 (except for 2008), we sponsored the "Top 10 Most Influential Persons in China" (中國精英年鑒(年度十大精英男性)頒獎典禮) organized by "Magazine" (名牌雜誌). We also sponsored the prize-giving ceremony "中國時尚先生頒獎典禮" in 2007 and the "Top 10 Economic Celebrity in Guangdong" in 2008.

For the "Love and Compassion" marketing strategy, we make donations and sponsor charity events from time to time to fulfill our corporate social responsibility. In 2008, we made donations to build a primary school named "Dream Island DELURE Charity School" in Guilin, Guangxi Province and we also donated both cash and materials to support students with economic difficulties in certain cities of the Guangxi Province to continue their studies. In addition, we organized and sponsored a series of fundraising events, namely "迪萊愛心火炬轉遞", jointly with the PRC national table tennis team and select shopping malls, in 2009. During the Track Record Period, donations were made to more than 30 primary schools in Guangdong, Guangxi, Chongqing, Hebei, Suzhou, Qingdao and Xiamen. We also made donations to help the needy, such as the victims in the Sichuan earthquake and snowstorm in the PRC.

We believe our sponsorship of the PRC national table tennis team events in shopping malls and department stores has assisted us in securing prime locations in many established and well known department stores.

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In addition to the above marketing campaigns, we also participate in fashion shows with heightened media coverage that can raise awareness of our brands among the fashion industry. We also place prominent advertisements in middle-upper to high-end menswear and fashion magazines in China to maintain high visibility in the market.

Furthermore, we have a VIP membership program in place to encourage customer spending and develop customer loyalty. We believe customer loyalty is important in the upmarket fashion industry. As an incentive, VIP members are generally entitled to a discount up to 15% from the normal sales prices. Marketing information and fashion catalogues are regularly communicated and/or mailed to VIP members to keep them informed of the latest seasonal collections and VIP members are invited to our promotional events. We also have a membership points program pursuant to which our VIP members can earn membership points for every RMB of purchase at our *V. E. DELURE* self-operated Stores and redeem such points for certain gifts. VIP members at some Stores are also provided with personal services such as a dedicated VIP area for tea and beverage consumption. Selected gifts are presented to VIP members on their birthdays.

A nation-wide retail network occupying prime locations and with ample room for growth

We have established a large retail network in China's menswear industry with 268 Retail Stores, including both self-operated and distributor-operated Stores for our *V.E. DELURE* and *TESTANTIN* brands in Hong Kong and 144 cities in 28 provinces/municipals/autonomous regions of the PRC as at 30 June 2010. According to Frost & Sullivan, our *V.E. DELURE* brand ranked second in terms of the number of Retail Stores among the top ten high-end business formal and casual menswear brands by retail revenue in the PRC as at each of 31 December 2008 and 2009 and 30 June 2010. We have expanded our retail network substantially from 167 Retail Stores as at 31 December 2007 (39 of which were self-operated Stores) to 259 Retail Stores on 31 December 2009 (70 of which were self-operated Stores), and further to 268 Retail Stores as at 30 June 2010 (84 of which were self-operated Stores).

According to the Frost and Sullivan Report, the retail revenue of high-end business formal and casual menswear in the PRC is expected to grow from RMB13.1 billion in 2009 to RMB25.0 billion in 2013, representing a CAGR of 17.5%. According to the Frost & Sullivan Report, in the year ended 31 December 2009 and for the six months ended 30 June 2010, our brand *V.E. DELURE* had a market share of 3.8% and 4.2%, respectively, of the high-end business formal and casual menswear market in the PRC based on retail revenue. According to the Frost & Sullivan Report, no one brand owner or operator had a dominant share of the high-end business formal and casual menswear market. The top two ranked brands had market shares of 5.3% and 4.6% in the year ended 31 December 2009 and 5.9% and 5.2% for the six months ended 30 June 2010, respectively, according to the same report by Frost & Sullivan. Therefore, notwithstanding having the second largest number of retail stores in the market, according to the Frost & Sullivan Report, we believe there is ample room for growth in the number of stores within our current geographic coverage.

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The middle-upper fashion casual menswear market segment that our *TESTANTIN* brand targets has a historical retail revenue CAGR for the period of 2006-2009 and an expected CAGR for the period of 2009-2013E of 14.3% and 16.5%, respectively, which is higher than the CAGRs of both the "High-end to Luxury" and "Middle to Low End" fashion casual menswear market segments, based on the Frost & Sullivan Report. According to the Frost & Sullivan Report, the retail revenue of this market segment is projected to grow from RMB8.7 billion in 2009 to RMB16.1 billion in 2013. In light of the early development stage of our *TESTANTIN* brand and the industry dynamics of this segment, we believe that there is ample room for growth for our *TESTANTIN* brand.

We believe that the high market recognition and brand differentiation created through years of our brand building activities, in particular in relation to *V.E. DELURE*, has accelerated the acceptance of our brand by, and created strong relationships with, our distributors, shopping malls and department stores. Our relationships with our business partners as mentioned above have been further strengthened by (a) consistent high ranking in terms of revenue within shopping malls and department stores, in relation to our *V.E. DELURE* brand, (b) our management's historical dealings with many of our distributors, department stores and shopping malls as a result of their experience in the distribution of international brands such as two well-known French apparel/accessories brands, and (c) our ability and initiative in sponsoring the national PRC table tennis team events at shopping malls and department stores, which have been well received by such participating shopping malls and department stores. We believe our strong relationship with distributors, shopping malls and department stores is critical in forming our solid foundation and giving us a competitive advantage to (i) capture strong industry growth by rapidly expanding the network coverage of our brands, and (ii) secure prime locations in many established and well known department stores and shopping malls in which we strategically locate some of our Stores.

We believe we can leverage our strong and long history of relationships with our distributors, department stores and shopping malls to promote the growth of our junior brand, *TESTANTIN*, and other brands we may choose to acquire, to penetrate new geographic areas or increase their existing presence at a more rapid pace than otherwise would be possible by our competitors and to be strategically positioned at locations compatible with our brand strategy.

A business model that strategically combines self-operated Retail Stores and distributor networks

We strategically use a combination of self-operated Retail Stores as well as a third party distributor model to varying degrees to cater to the different stages of development and the different target markets for each of our brands.

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We have been gradually increasing the proportion of our self-operated Retail Stores for our *V.E. DELURE* brand which is positioned in the high-end PRC menswear market with significant brand equity established through years of brand building. Self-operated Stores enable us to create direct contact with our targeted customers, thereby allowing us to optimise our marketing efforts directly to our customers and to directly instill in our customers the brand image and atmosphere that we create and express. We can also ensure the consistent provision of high quality services to our customers and obtain first hand feedback from them which provides us with useful information for our future product designs.

It has been our strategy to establish our *V.E. DELURE* self-operated Retail Stores mainly in tier one, tier two and tier three cities. We believe tier one and tier two cities are perceived to be at the forefront of design and fashion which have the ability to influence design and fashion in tier three and tier four cities. To more effectively roll-out our sales and marketing campaigns on a national level, it is critical that our self-operated Stores are located at prime locations in tier one and tier two cities to capture pedestrian traffic of the affluent shoppers with high consumption abilities. In this regard, during the Track Record Period, we were able to strategically secure retail locations for our *V.E. DELURE* self-operated Stores in established and well known department stores and shopping malls such as the Beijing Yansha Youyi Shopping City Limited, Tianjin Friendship Shopping Center, Charter Shopping Center, Xi'an Centuryginwa, Harbin Songlei, Nanjing Golden Eagle Department Store, Beijing Le Tian Intime Department Store Limited, Nanning Dream Island Shopping Center, Kunming Gingko Department Store Golden Dragon Branch, Guangzhou Department Store, Nanning Dream Island Shopping Center Gucheng Branch, Nanning Dream Island Shopping Center Crystal City Branch, Beijing Yansha Youyi Shopping City Jinyuan Branch, Guangzhou Tianhe City Department Store, Guiyang Guomao Plaza and Wenzhou Times Square Shopping Center. Generally speaking, we believe these department stores act as a vetting mechanism and only allow brands that they consider to be well-regarded. Therefore, we believe the fact that our *V.E. DELURE* self-operated Stores are located in these shopping areas is a positive reflection of our reputation and the quality of our products.

For the Track Record Period, self-operated Stores for our *V.E. DELURE* brand grew from 27 for the year ended 31 December 2007 to 71 to the six months ended 30 June 2010. Further, our *V.E. DELURE* brand's revenue from self-operated Retail Stores as a percentage of our total revenue of our *V.E. DELURE* brand grew from 26.6% in the year ended 31 December 2007 to 44.0% in the six months ended 30 June 2010, respectively.

The use of third party distributors allows us to expand our retail network rapidly with lower capital expenditure requirements as compared to self-operated Stores. We have been using this distribution channel for both of our brands with a stronger emphasis on *TESTANTIN* given its early phase of development and therefore the need and desire to reach out to a large customer base and to increase brand awareness in a relatively short period of time. For the Track Record Period, our Retail Stores operated by our distributors under our *TESTANTIN* brand grew from 35 for the year ended 31 December 2007 to 53 for the six months ended 30 June 2010. For the same period, our Retail Stores operated by our distributors under our *V.E. DELURE* brand grew from 93 to 131.

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We carefully exercise management and influence over our distributors' retail operations to avoid brand image erosion or "de-equitization." We believe we have stringent measures in place to manage our distributors and provide appropriate training to our distributors and their employees. See the section headed "Sales and Distribution — Distribution by distributors/sub-distributors" in this document for further information.

High growth momentum and attractive margins

We achieved significant growth both in terms of revenues and operating profit (profit before tax, finance costs and other expenses) over the past three years. Our revenue for the three years ended 31 December 2007 (which included only seven months' of revenue of two of our subsidiaries), 2008 and 2009 and the six months ended 30 June 2010, were RMB193.9 million, RMB340.4 million, RMB409.0 million and RMB249.2 million, respectively, while operating profit (profits before interest, tax and other expenses) for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, were RMB50.5 million, RMB86.9 million, RMB140.0 million and RMB90.9 million, respectively. For a more detailed explanation of revenue recorded in 2007 (which included only seven months' of revenue of two of our subsidiaries) compared to 2008 and our financial information, please refer to the section headed "Financial Information" in this document.

Due to a number of factors, including but not limited to economies of scale, our pricing strategy and cost control measures, our asset-light business model, our effective and cost-efficient branding and our marketing strategy, we have been able to achieve attractive operating profit margins over the years. Our gross margins amounted to about 54.5%, 59.7%, 60.6% and 67.0%, while operating profit margin amounted to about 26.0%, 25.5%, 34.2% and 36.5% for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

High quality products and stringent quality control

We believe that high product quality is another key factor to success in high-end menswear branding. For instance, for some of our *V.E. DELURE* menswear products, we source fabric from certain reputable overseas suppliers such as Lanificio F.lli Cerruti dal 1881, Ermenegildo Zegna, Loro Piana and another well-known Italian menswear fabric supplier. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our purchase of fabric from these four suppliers represented 7.8%, 11.8%, 9.7% and 20.4%, respectively, of our total purchase of fabric. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the fabric we sourced from overseas suppliers represented 34.2%, 32.5%, 19.2% and 39.9%, respectively, of our total purchase of fabric. We have a stringent quality control policy, which includes quality inspection of our products at different stages of production, including the pre-stage, middle and post-stage. In particular, for each type of fabric we receive, we send it to a quality inspection institute, National Textile and Garment Quality Supervision Testing Center (Guangzhou) (國家紡織品服裝產品質量監督檢驗中心(廣州)), for components and safety testing and to ensure our products fulfill a high quality requirement. National Textile and Garment Quality Supervision Testing Center (Guangzhou) was established in October 2002 by Guangzhou Fibre Product Testing

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Institute (廣州市纖維產品檢測院) (a quasi-governmental organization) and is recognized as one of the top fibre product testing laboratories in China. On 18 November 2009, National Textile and Garment Quality Supervision Testing Center (Guangzhou) obtained the Metrology Accreditation Certificate (Certificate no.: 2009002181Z) and Authorization Certificate (Certificate no.:(2009)國認監認字(240)) which were both issued by the Certification and Accreditation Administration of the PRC (中國國家認證認可監督管理委員會). The Certification and Accreditation Administration of the PRC is the authority under the State Council that is responsible for the assessment and accreditation of the testing capacity of laboratories and institutions in China. We also have a policy of performing a final inspection of all of our finished products (including both products manufactured by us and products purchased from outsourced manufacturers) before such products are sold to distributors or delivered to self-operated Stores.

Management's experience in managing middle-upper to high-end menswear brands

Our management has accumulated extensive experience in managing and distributing high-end international brands in China. Before starting our business, the Chan Brothers were engaged in the sales and distribution of two well-known French apparel/accessories brands, in the PRC. We are also currently the authorized dealer for CARTIER's accessories in Nanning, Guangxi Province and Fuzhou and Xiamen, both in Fujian Province. Led by our executive Directors and management team, who have accumulated years of extensive experience and knowledge in managing and distributing high-end international brands in the local PRC markets, we believe that we will continue to develop and enhance our capability in high-end brand management and distribution. We can also leverage management's long term relationships with department stores, shopping malls and distributors to implement our strategy to expand our retail network.

STRATEGIES

Our aim is to become the leading brand operator in the middle-upper to high-end menswear market segments in China.

Expanding our retail network and sales channels

According to the Frost & Sullivan Report, the retail revenue of the high-end business formal and casual menswear market, which our *V.E. DELURE* brand targets, and the middle-upper end fashion casual menswear market, which our *TESTANTIN* brand targets, is projected to grow at a CAGR of 17.5% and 16.5%, respectively, from 2009 to 2013, reaching a projected revenue of RMB25.0 billion and RMB16.1 billion, respectively, in 2013. Based on such projection, we believe there are significant opportunities for growth of both the *V.E. DELURE* and *TESTANTIN* brands, especially in tier two and tier three cities. We intend to leverage our extensive expertise in the retailing of menswear brands and our strong relationships with distributors, department stores and shopping malls to continue to expand our retail network to capitalize on future growth opportunities. Going forward, we also plan to encourage our distributors to operate both *V. E. DELURE* and *TESTANTIN* Stores at the same time.

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Based on the current economic environment and our expected financial position, we plan to add about 63 Retail Stores (comprising about 39 *V.E. DELURE* Retail Stores and 24 *TESTANTIN* Retail Stores) and 172 Retail Stores (comprising 86 *V.E. DELURE* Retail Stores and 86 *TESTANTIN* Retail Stores) in 2010 and 2011, respectively, including Retail Stores operated by us and our distributors. Our adherence to the above retail store expansion plan will be subject to, among other things, economic conditions of the PRC and specific regions in which we plan to locate our Stores, availability of appropriate locations compatible to our branding and expansion strategy, selection of appropriate distributors, finalization of the terms with our landlords and/or distributors and our business and financial circumstances at the relevant point of time.

(i) *V.E. DELURE*

Due to our efforts in expanding the number of our *V.E. DELURE* Stores during the Track Record Period, we have Stores mainly located in tier one, two and three cities or strategic locations in the PRC, such as Beijing, Shanghai, Tianjin, Changchun, Xi'an, Nanjing, Shenzhen and Guangzhou, and in Hong Kong. We intend to continue to increase the number of *V.E. DELURE* Retail Stores in these cities and other strategic locations, to capture pedestrian traffic of affluent shoppers with high consumption abilities. We plan to increase the proportion of our self-operated Retail Stores as opposed to Stores operated by our distributors as we expand our network in tier one and tier two cities. We intend to establish flagship Stores in prime locations in Beijing, Shanghai and Guangzhou. We believe the establishment of flagship Stores in Beijing, Shanghai and Guangzhou will further enhance our images as a leading menswear retailer in the high-end market. We will also expand our *V.E. DELURE* Retail Stores in tier three cities, principally through distributors, if we find locations that (i) we expect to draw customers with spending power who are consistent with our target clientele and (ii) are compatible and consistent with the brand image.

(ii) *TESTANTIN*

The development of our *TESTANTIN* brand is in a relatively early stage with the brand being launched in 2005. For the the six months ended 30 June 2010, revenue derived from the *TESTANTIN* brand was approximately 12.3% of our total revenue with 66 Retail Stores as at 30 June 2010. During the Track Record Period, our *TESTANTIN* branded Stores were generally located in tier two and tier three cities. We believe that there is ample room for growth in China's middle-upper menswear market. We intend to raise public awareness of the brand by expanding the distribution network of the *TESTANTIN* brand and by leveraging the relationship built from our experience managing our *V.E. DELURE* brand. Currently, we have more Stores operated by distributors than self-operated Stores for our *TESTANTIN* brand. As our *TESTANTIN* brand is in a relatively early stage of development and we rely to a larger extent on our distributors to quickly establish a network and penetrate into tier two and tier three cities, going forward, we will continue to focus on expanding our store coverage through our distribution networks but at the same time we expect to increase the number of our self-operated Stores to be located at certain strategic prime locations. The proportion of self-operated Retail Stores to Retail Stores operated by our distributors for our *TESTANTIN* brand is still expected to be smaller than the same ratio for our *V.E. DELURE* brand in the future. In addition to the

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presence in tier two and tier three cities, we plan to penetrate and increase the presence of our *TESTANTIN* brand in tier four cities. We expect that the *TESTANTIN* brand will be one of the key drivers of our growth and that revenue from the *TESTANTIN* brand will significantly increase in the future.

Increasing same store sales growth

We plan to increase our same store sales growth through implementing the following strategies:

(i) Expanding product and service offerings and design capabilities

We currently offer a variety of goods under the *V.E. DELURE* and *TESTANTIN* brands, covering apparel such as suits, jackets, pants, overcoats, shirts, polo-shirts, leather goods such as brief-cases, wallets and shoes, and accessories such as ties, cuff-links and pens. We believe that there is significant room for growth in our leather goods and accessory product categories and plan to expand the styles of, and to allocate more store space for, these product categories.

We plan to enhance our design capabilities by adding more in-house design staff and engaging international design consultants to help us expand our portfolio of products.

We also provide tailor-made services in a few of the *V.E. DELURE* Stores. In order to further enhance the image and prestige of certain Stores, we plan to introduce tailor-made services to more *V.E. DELURE* Stores by the end of 2011.

(ii) Enhancing brand equity of our proprietary brands

Currently, Retail Stores operated by us and our distributors strive to have consistent store design, color scheme, display and packaging in order to portray a consistent brand image to customers. In order to further enhance our brand awareness and attract customers, we plan (a) to introduce more innovative interior design concepts, displays and visual effects to create a more distinctive and high-end or middle-upper, as applicable, brand image, (b) to continue our sponsorship of national sports teams, charities and notable events, such as promotional activities with the PRC national table tennis team in shopping malls and charitable banquets, (c) to expand our advertising plan to include different forms of media, such as magazines, newspapers, outdoor media channels (such as placing billboards along highways) and public areas with high traffic (such as airports), (d) engage celebrity spokesperson and (e) to increase the number of fashion shows in which we participate.

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We also plan to enhance our brand loyalty by focusing on and expanding our VIP membership program. To do this we intend to introduce VIP corners in more locations, to provide a more spacious and comfortable area with wine and snacks for frequent customers with high consumption abilities, in order to capture the affluent customers in China. We plan to use our flagship Store in the Nanning Dream Island Shopping Center to launch new branding and marketing strategies. In addition, we plan to further enhance the quality of our VIP services, including, but not limited to supplying designated VIP-only products and souvenirs, establishing a unique VIP code and serving beverages in the to-be-established VIP corners at Stores. We plan to upgrade our ERP, so that customers' spending can be automatically recorded, spending patterns can be easily categorized and analyzed, and marketing and cross-selling efforts and services can be designed to be more effective, focused and personalized in order to reflect the privileged VIP status of our VIP customers. We believe this will help us retain long-term customers and attract more high spending customers with high consumption abilities.

Enriching our portfolio of brands

We currently operate two self-developed menswear brands, namely *V.E. DELURE* and *TESTANTIN*, and act as an authorized dealer of CARTIER's accessories in designated CARTIER Stores in the PRC. We believe we have accumulated extensive expertise in the retailing of branded apparels in the PRC and have established a valuable network with distributors, department stores and shopping malls. We intend to increase the brands that we can offer through these channels by utilizing our experience. We had a successful experience in introducing *TESTANTIN* and we are confident we can be as successful in introducing other brands.

We plan to further develop our portfolio of brands through strategic investments or acquisitions in, or entering into licensing or distributorship arrangements with, Chinese or overseas high-end brands, which our management believes have potential to succeed in China. We expect to give priority to brands that complement our existing two proprietary menswear brands. We believe that by leveraging our experience and network in China, a strategic investment in brands, domestic or international, on a selective basis, would allow us to expand our brand portfolio quickly, to create business and cost synergies between the brands, and ultimately increase our revenues and net profit.

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Enhancing our ERP system and administrative support

As our business continues to grow, we plan to invest in enhancing our ERP and management information system in order to achieve better inventory control with our distributors. Currently, our POS system only allows our management to centrally monitor sales activity and inventory levels at our self-operated Retail Stores on a timely basis from our office headquarters. The system at each of our self-operated Stores is interconnected while our distributors' systems are not interconnected with our central system. By upgrading such system and by creating a direct interface between the individual systems at each of the Stores operated by our distributors, we will be able to obtain timely operating data of our distributor-operated Stores, thereby allowing central management to further improve inventory and financial management capabilities. We expect this upgrade will be completed within three years, at which point our POS system will be directly linked to all the Stores operated by our distributors. Also, we plan to invest in expanding our logistics, warehousing, administrative and accounting functions appropriately to support our growth going forward.

Increasing our corporate sales

We have provided large-volume made-to-order services to certain entities for their employees since 2009. Sales made through this channel amounted to RMB6.0 million for the year ended 31 December 2009 and RMB2.1 million for the six months ended 30 June 2010. Under this model, we intend to target large corporate clients, banks and government bodies that fit our branding theme and offer their executives and managers a personalized service. Going forward, we intend to increase sales to these entities and we believe the provision of such service will serve as a cost effective channel to rapidly increase our brand awareness and equity among executives and managers of reputable corporations and entities.

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BRANDING STRATEGY

We are principally engaged in the sale of high-end menswear and accessories under our *V.E. DELURE* brand and middle-upper menswear and accessories under our *TESTANTIN* brand in the PRC. We also operated Retail Stores in the PRC under licensed brands *CARTIER* and *Harmont & Blaine* during the Track Record Period. The table below sets out our brand portfolio:

I. Self-Owned Brands

Name of brand	Brand description	Number of Retail Stores as at 30 June 2010
<p><i>V.E. DELURE</i> V.E. DELURE</p>	<p>History: Established in 2000</p> <p>Products range: Primarily business formal and casual menswear and accessories, including ready-to-wear, made-to-order and accessories, including suits, shirts, pants, jackets, polo-shirts, overcoats, shoes, ties, belts, wallets and other accessories</p> <p>Brand theme: Love</p> <p>Target customers: Affluent and successful men in the 35 – 50 age group</p>	<p>Number of Retail Stores: 202</p> <p>(i) 71 Stores operated by us directly</p> <p>(ii) 131 Stores operated by 63 distributors</p>



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Name of brand	Brand description	Number of Retail Stores as at 30 June 2010
<p>TESTANTIN</p> <p>Testantin</p>	<p>History: Established in 2005</p> <p>Product range: Primarily contemporary and chic casual menswear and accessories, including jeans, polo-shirts, jackets, pants, sweaters, shoes, belts and wallets and other accessories</p> <p>Brand theme: Artistic expression and simplicity</p> <p>Target customers: Young and fashion conscious men in the 25 – 40 age group</p>	<p>Number of Retail Stores: 66</p> <p>(i) 13 Stores operated by us directly</p> <p>(ii) 53 Stores operated by 34 distributors (of which eight Stores were operated by one distributor through seven sub-distributors)</p>



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Brand name "V.E. DELURE"

Our *V.E. DELURE* brand was inspired by French craftsmanship and elegance. *V.E. DELURE* stands for "You are smart" in French (where V.E is the abbreviation for "Vous etes" in French, which means "you are" in English) and symbolizes the image and achievement of our target customers, and that of affluent and successful gentlemen. It also means to represent that such individual, in addition to his successful career, who is able to express his love and care for people. In order to convey this brand image in our products, we have adopted the slogan "Classic because of love" (因為愛，所以更經典) to personify the "LOVE" message and the color of purple blue which represents "Love" in our product design and marketing strategies.



Brand name "TESTANTIN"

The brand concept of our *TESTANTIN* brand represents artistic, casual and fashionable ideals. The *TESTANTIN* name and logo were designed to express artistic charm, and a contemporary and casual living style.



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Despite the brand diversification, our *V.E. DELURE* and *TESTANTIN* brands both share the common characteristic of high quality and are positioned to target customers who prefer and appreciate products of good quality and design. The Directors believe that the two labels target customers in different age groups, and of different economic and social status.

The Directors also believe that the two labels complement each other and allow us to capture a wide range of customer groups and achieve greater market penetration in the middle-upper to high-end menswear market than would be possible with either brand on its own.

II. Licensed Brands

CARTIER

Beginning in early 2008, we became an authorized dealer of *CARTIER*'s accessories in designated *CARTIER* Stores in the PRC. We, through Guangzhou Changzhuxing, have entered into distributorship agreements ("*CARTIER* Agreements") with Richemont, whereby Richemont as an authorized distributor of *CARTIER*'S accessories has granted us the right to distribute *CARTIER* accessory products. The *CARTIER* Agreements are renewable annually after expiry on 31 December of each year. In addition to our three *CARTIER* stores, there are other authorized dealer(s) in the PRC unrelated to us that are authorized to sell *CARTIER* accessory products.

The major terms of the *CARTIER* Agreements are as follows:-

- a. We are granted the right to sell *CARTIER* accessory products through our three *CARTIER* stores in Nanning, Guangxi Province, and Fuzhou, Xiamen, Fujian Province. We purchase *CARTIER* accessory products directly from Richemont and sell the products through our self-operated *CARTIER* stores. The *CARTIER* stores that we operate follow the shop design directives issued by Richemont and the *CARTIER* accessory products are sold pursuant to the price lists in force at the date of delivery of the Cartier accessory products by Richemont.
- b. We agree only to sell *CARTIER* accessory products that are in a perfect state of presentation and working order.
- c. We agree to devote sufficient area to display *CARTIER* accessory products and to use all the display cases and other retail outlet advertising items supplied by Richemont for the sole purpose of displaying the *CARTIER* accessory products exclusively within the *CARTIER* stores.
- d. We do not possess any right of any nature whatsoever with respect to the *CARTIER* trademarks, models, patents, copyrights, distinctive signs or rights of any nature.

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- e. CARTIER shall be entitled to issue and modify on a regular basis recommended retail prices for its products.
- f. Certain CARTIER accessory products delivered to us are guaranteed pursuant to CARTIER's international warranty.
- g. The CARTIER Agreements shall expire on 31 December of each year and shall then be renewed for contractual periods of one year each unless notice of termination has been sent by either party to the CARTIER Agreement at least three (3) months prior to the expiry of the CARTIER Agreements or any subsequent contractual period.
- h. There is no royalty fee nor guaranteed fee payable by us to Richemont under the CARTIER Agreements.
- i. The CARTIER Agreements may be terminated with immediate effect by Richemont in any of the following circumstances:-
 - (i) if we resell CARTIER accessory products with modification to their appearance or original make up of any kind or delete the CARTIER trademarks, numbered sequences or other means of identification;
 - (ii) if we do not resell the CARTIER accessory products to final customers;
 - (iii) if payment made by us does not fulfill the conditions of payment in accordance with the "General Conditions of Sale" provided by Richemont;
 - (iv) if we are unable to keep, at all times, and in appropriate condition, sufficient and representative stock of CARTIER accessory products or we are unable to acquire and offer for sale, at such time as Richemont shall request, all and any new references of the CARTIER accessory products which Richemont may decide to launch on the market;
 - (v) if we display or sell products which constitute a counterfeit or imitation of the CARTIER trademarks and/or CARTIER accessory products and/or any other products bearing the trademarks, as well as any other product likely to create confusion with CARTIER accessory products and/or any products bearing the CARTIER trademarks;
 - (vi) if, for any reason whatsoever, Mr. Chen Minwen ceases to assume the effective and uninterrupted management of the CARTIER Stores;

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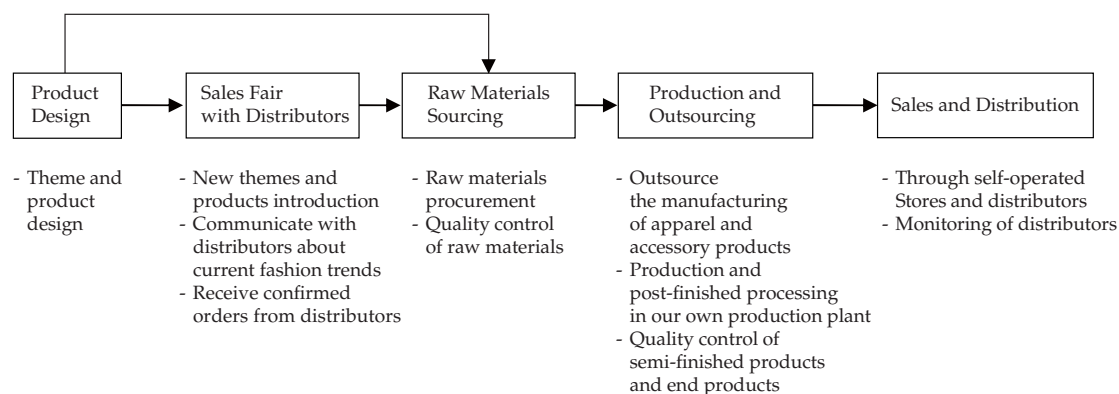
- (vii) in the event either party to the CARTIER Agreements undergoes insolvency, bankruptcy, liquidation, creditor's arrangement or in the event of any circumstance of fact or law likely to place either party's assets under judicial control; and
- (viii) if either party to the CARTIER Agreements breaches any of the provision of the CARTIER Agreements or the "General Conditions of Sale" provided by Richemont and such alleged breach is not cured within thirty (30) days from the date of notice from the other party.

Harmont & Blaine

From August 2004 to August 2009, we were the exclusive distributor of Harmont & Blaine, an Italian menswear fashion brand, in the PRC. We entered into a distributorship agreement with the authorized distributor of Harmont & Blaine, whereby we were granted the exclusive right to sell Harmont & Blaine menswear products in the PRC. We operated the "Harmont & Blaine" Stores in cities including Guangzhou, Shenzhen and Hangzhou. Our distributorship agreement with Harmont & Blaine expired in August 2009 and our cooperation with Harmont & Blaine was terminated. The Directors believe that the revenue from sales of Harmont & Blaine menswear products represented an insignificant contribution to our total revenue, in that it amounted to about 2.2%, 5.0%, 1.7% and 0.9% of our total revenue for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

BUSINESS MODEL FOR THE SELF-OWNED BRANDS

The following diagram illustrates our business model for our self-owned brands:



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DESIGN

The apparel products that bear the *V.E. DELURE* and *TESTANTIN* labels are principally designed by our in-house design team located in Guangzhou. As at the Latest Practicable Date, we had seven members and six members in our design teams for *V.E. DELURE* and *TESTANTIN*, respectively, and all lead designers had over four years of relevant experience in fashion design. Designs are developed consistently with the designated brand strategy and theme as set out in the "Self-Owned Brands" section above.

Our design team keeps abreast of the latest trends and developments in new designs and types of fabric, primarily through attending fashion shows and trade exhibitions in the PRC, Italy and France, and through other means, such as studying local and international fashion magazines. Our design team also works closely with our sales and marketing team to understand the latest market needs and tastes. Our design team generally undertakes the following functions:

(1) Design development process

At the initial stage of the design process, our in-house design team will observe, understand and filter internal and external factors including our brand strategy and market position, culture, environmental issues and fashion trends. Our design team will visit the Retail Stores of our brands to talk with the Store managers and review the sales data, in order to understand the sales performance of particular products of our brands and competing brands and identify any design themes with high customer recognition. After that, our design team will begin to consider the filtered information and our designers will develop ideas that form the basis of the creation of upcoming collections. After this stage, our designers will begin to work on developing the new collections together with our sales and marketing team. Our sales and marketing team provide input in order to ensure that the new collection will better cater to the needs and preferences of our target customers.

(2) Sampling process

After the design development process where the prototypes of each design are created, the accepted designs are sampled.

(3) Selection process

Once the sampling process is completed, the design samples will be reviewed by our sales and marketing team and our management team. Based on their knowledge of the preferences of the target customers and sales trends in the fashion market, they will select those design samples that they believe will be most attractive to our target customers. Final samples approved by our management will then be launched and marketed at sales fairs held by us.

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SEASONAL SALES FAIRS

We generally hold seasonal sales fairs, at which our new apparel samples are showcased. Distributors can evaluate our samples, share knowledge and experiences and place orders for our new products. During the sales fairs, our sales and marketing team will introduce the theme of the new collections and provide distributors with ideas about the current and future trends of the clothing industry. We generally organize sales fairs twice a year, namely in March and August, which is about four to six months before the new products for the fall/winter and spring/summer seasons is launched, respectively. We believe that by holding such sales fairs, we can respond to the ever-changing trends and demands of the menswear industry.

Purchase orders from our distributors are generally required to be confirmed during sales fair. After our distributors submit their purchase orders during sales fair, we will start analyzing and determining the production schedule and scale for each product in the coming season.

RAW MATERIALS SOURCING

The principal raw materials used in our products are fabrics and leather materials. Other product parts include buttons, zippers, cuff links, packing materials, brand labels, hanging tags and other accessories. All our raw materials suppliers are Independent Third Parties. During the Track Record Period, we sourced all the leather materials from the PRC. We currently source fabric mainly from the PRC and also from some overseas countries, including Japan, Korea and Italy. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the fabric we sourced from overseas suppliers represented 34.2%, 32.5%, 19.2% and 39.9%, respectively, of our total purchase of fabric. We source top quality fabric from certain reputable overseas suppliers such as Lanificio F.lli Cerruti dal 1881, Ermenegildo Zegna, Loro Piana and another well-known Italian menswear fabric suppliers. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our purchase of fabric from these four supplies represented 7.8%, 11.8%, 9.7% and 20.4%, respectively, of our total purchase of fabric. We source product parts from local and regional suppliers.

We usually do not enter into long-term contracts with our suppliers, with each contract governing only one specific transaction. Each supplier is subject to an annual evaluation of product quality and timely delivery. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our top five raw material suppliers collectively accounted for about 20.7%, 25.1%, 41.2% and 33.4% of our total purchase of raw materials, respectively. Our top five raw materials suppliers supplied us with fabrics and leather materials. The duration of our relationship with these suppliers ranges from less than one year to six years. Our largest raw material supplier accounted for about 5.7%, 7.7%, 16.3% and 14.5% of the total purchase of raw materials for the same periods, respectively. Each of our five largest raw material suppliers are Independent Third Parties and none of the Directors, or their respective associates, or any Shareholder holding more than 5% of the issued Shares had any interest in any of these five largest raw material suppliers during the Track Record Period.

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We employ strict criteria in inspecting raw materials before they are accepted for use. Raw materials and product parts must meet our internal quality control standards and, in particular, our principle raw material and fabric materials must also pass certain national health and safety standards issued by the General Administration of Quality Supervision and Inspection.

We have not encountered any material disruptions to our business as a result of a shortage of raw materials. We have not experienced and do not envision that we will experience any material difficulties in sourcing raw materials for our suppliers. According to the Frost and Sullivan Report, the market price of leather materials is likely to remain stable between 2010 and 2012 due to the improvements in animal husbandry in China. Our fabrics are mainly made from cotton and wool. According to Frost and Sullivan Report, the market price of cotton is expected to grow at 5% to 10% annually between 2010 and 2012, while that of wool is expected to increase by 10% to 15% annually between 2010 and 2012, mainly due to economic growth and a domestic supply shortage in the PRC. The price of raw materials may experience fluctuations that are beyond our control. Depending on the price fluctuations of raw materials, we may need to adjust the selling price of our products. However, there is no assurance that we can pass increases in raw materials costs onto our customers in a timely manner or at all, which could result in an adverse impact on our profit margins. For details of the risks associated with the price of raw materials, please refer to "Risk Factors – Risks Relating to Our Business – Fluctuations in the price, availability and quality of raw materials could cause production delays and increase production costs" in this document.

PRODUCTION AND OUTSOURCING

Production

We have a production plant located in Huadu District, Guangzhou in Guangdong Province, with a gross floor area of about 4,000 sq.m., mainly serving the functions of sampling, packaging and post-finished processing of the apparel produced by outsourced manufacturers, such as molding, ironing, adding buttons and other components and branding tags. The Directors confirmed that during the Track Record Period, there were no incidents of violation of any safety requirements at our production plant.

We also manufacture a small portion of our apparel such as jackets, T-shirts, suits and trousers, for both the *V.E. DELURE* and *TESTANTIN* brands, in our production plant. For most of our apparel and accessory products, we outsource the entire production process to Independent Third-Party outsourced manufacturers. We believe that this combination of in-house and outsourced production enables us to control production costs more effectively and to react more rapidly to consumer demand, which is favorable to our business development and expansion. Quality is one of our top priorities, and our quality control team monitors each stage of the procurement and production process. To ensure that our products meet our quality standards, we also work closely and communicate regularly with our outsourced manufacturers. Please also refer to the paragraph headed "Quality Control" in this section. Our production team also works closely with our sourcing team to ensure the timely and adequate supply of raw materials for production of products.

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In addition, our production team works closely with our sales and marketing team and our sourcing team in setting up a comprehensive outsourcing, production and budget plan after each seasonal sales fair. This allows us to source adequate quantities of raw materials from suppliers for in-house production, to prioritize our production schedule and to outsource production to the appropriate third party manufacturers in order to reduce production lead time and to improve our overall efficiency.

Outsourcing

For most of our apparel and accessory products, we outsource the entire production process to Independent Third-Party manufacturers that are corporations engaged in clothing and accessories production and assembly on an original equipment manufacturing basis. Most of these outsourced manufacturers are located in the PRC. During the Track Record Period, there were no labor strikes or disputes, with respect to our outsourced manufacturers that had a material effect on us.

For the production of certain products such as suits, we are responsible for purchasing raw materials and arranging delivery times with suppliers. We schedule the entire production plan and sign contracts with Independent Third-Party manufacturers. The raw materials are then processed according to our requirements and made into end products. For the production of certain products such as T-shirts, we generally outsource the whole process, that is, from the purchase of raw materials to manufacturing of the end products, to Independent Third-Party manufacturers. The turn-around time from order to delivery of the accessory parts is generally about two months, and that of clothing products generally ranges from about three to four months, depending on the type of accessories and clothing products ordered. We will perform the packaging and post-finished processing for all of the end products from outsourced manufacturers, including molding, ironing, adding buttons and other components and branding tags, at our own production facilities before the finished product is delivered.

We minimise the risk of being subject to claims and we ensure quality control of our finished products manufactured by outsourced manufacturers by doing an appraisal every fall/winter and spring/summer season. Our outsourced manufacturers will be graded on a scale ranging from A to C. We will communicate with the grade B outsourced manufacturers and request quality improvements. We will terminate our business relationship with grade C outsourced manufacturers. During the production process, we will send quality control teams to each outsourced manufacturer's production facilities to carry out regular inspections. Our policy is to fully inspect the completed finished products upon receipt from the outsourced manufacturers.

Our agreements with our outsourced manufacturers also stipulate that outsourced manufacturers cannot produce or otherwise duplicate our products, samples, logos or trademarks without our consent. Should any of our outsourced manufacturers breach its agreement, it will be liable to us for damages.

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Through these outsourcing arrangements, we are able to focus our resources on product design and brand management, to leverage the expertise and resources of outsourced manufacturers and to optimize our production schedule, especially during peak production seasons. In order to maintain our flexibility, we do not sign any exclusive outsourcing agreements with any of our outsourced manufacturers. We do not enter into fixed term supply agreements with our outsourced manufacturers. We enter into agreements with outsourced manufacturers on an individual transaction basis, which sets out terms such as product details, agreed price, purchase quantity and delivery terms. Our outsourced manufacturers generally request advanced deposits of up to 30% of the contract price. For the remaining portion of the contract price, depending on the policy of the outsourced manufacturers, we generally pay the outsourced manufacturers in full either upon receipt of the products or within one to two months after receipt of the products. We have the right to inspect the quality of the products. If any issue on product quality arises, we may return the products to our outsourced manufacturers for exchange or repair in accordance with the terms of the respective supply agreements with our outsourced manufacturers. Our outsourced manufacturers generally bear the delivery cost of the products. We have not encountered any material disruption to our business as a result of failure to obtain outsourced products. We have not experienced and do not envision that we will experience any material difficulties in obtaining the required outsourced products.

The length of our relationships with our top five and top ten outsourced manufacturers for the year ended 31 December 2009 ranged from less than one year to four years. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, purchases from our top five outsourced manufacturers accounted for about 33.9%, 32.0%, 41.9% and 39.5% of our total purchase of outsourced products, respectively. Purchases from our largest outsourced manufacturer accounted for about 16.3%, 9.5%, 16.2% and 13.0% of our total purchase of outsourced products for the same periods, respectively. The Directors confirm that all of our outsourced manufacturers are Independent Third Parties and none of the Directors, or their respective associates, or any Shareholder holding more than 5% of the issued Shares had any interests in any of these five largest outsourced manufacturers throughout the Track Record Period.

QUALITY CONTROL

We believe that our commitment to quality control is one of the principal factors contributing to our brand value and success. Accordingly, we have established a strict quality control system and a high quality standard. As at the Latest Practicable Date, we had a team of 14 staff members in our quality control department. Our outsourced manufacturers typically fulfill orders from us and our quality control staff checks the quality of goods at the various stages described below once orders are confirmed. Our quality control staff are able to carry out checking for each order because we do not purchase goods from all our suppliers at the same time. Each season, depending on the type of clothing to be produced, we will only order from an appropriate number of suppliers and conduct quality checks on such suppliers. During the Track Record Period,

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we did not experience any material recalls of our products by our customers for any quality issues. Our quality control team carries out the following quality control checks:

- **Quality control of suppliers**

We inspect raw materials and components before they are accepted for production use. Raw materials and ancillary component suppliers must pass our internal quality control standards as well as the relevant national health, safety and environmental standards. For each type of fabric we receive, we send it to the National Textile and Garment Quality Supervising Testing Center (Guangzhou) for components and safety testing.

- **Quality control during the production process**

We carry out inspections and examinations on semi-finished products during the production process to ensure satisfactory product quality. We also send quality control staff to our outsourced manufacturers' production facilities to conduct on-site quality control checks at least on a once-per-order basis. If any semi-finished products are identified as defective, the production process is suspended immediately until the quality problems are appropriately resolved to meet the required standards.

- **Quality control of finished products**

We have a policy of performing a final inspection of all of our finished products (including both products manufactured by us and products purchased from outsourced manufacturers) before such products are sold to distributors or delivered to self-operated Stores. We also require our outsourced manufacturers to provide quality certification of products supplied to us from an Institute of Textile Fiber Testing (紡織纖維檢驗機構) in Beijing, Shanghai or Guangzhou.

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SALES AND DISTRIBUTION

We have an extensive menswear retail network in the PRC and Hong Kong for our own brands. The following table illustrates the number of Retail Stores of our brands in the PRC and Hong Kong as at each of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively:

Region	Province/ Municipal/ Autonomous Region	<i>V.E. DELURE</i>				<i>TESTANTIN</i>				Total			
		As at				As at				As at			
		31 December		30 June		31 December		30 June		31 December		30 June	
		No. of Stores	No. of Stores	No. of Stores	No. of Stores	No. of Stores	No. of Stores	No. of Stores	No. of Stores	No. of Stores	No. of Stores	No. of Stores	No. of Stores
Central PRC	Henan	1	5	5	6	-	-	-	-	1	5	5	6
	Hubei	3	5	5	6	1	1	3	-	4	6	8	6
	Hunan	3	6	9	10	1	2	1	1	4	8	10	11
	Jiangxi	4	5	5	6	-	-	-	-	4	5	5	6
Eastern PRC	Anhui	4	8	9	9	-	-	-	-	4	8	9	9
	Jiangsu	17	17	20	19	5	4	4	5	22	21	24	24
	Shanghai	3	3	3	3	-	-	-	-	3	3	3	3
	Zhejiang	10	11	10	8	8	9	8	10	18	20	18	18
North Eastern PRC	Heilongjiang	2	5	5	5	-	1	1	-	2	6	6	5
	Jilin	3	6	3	3	-	1	-	-	3	7	3	3
	Liaoning	2	9	10	9	4	6	7	7	6	15	17	16
North Western PRC	Inner Mongolia	1	3	2	1	-	-	1	1	1	3	3	2
	Ningxia	-	-	-	-	1	1	1	1	1	1	1	1
	Qinghai	-	1	1	1	-	-	-	-	-	1	1	1
	Shaanxi	3	5	5	6	2	4	5	5	5	9	10	11
	Xinjiang	8	10	13	13	-	-	-	-	8	10	13	13
Northern PRC	Beijing	6	6	7	7	-	-	-	-	6	6	7	7
	Hebei	4	6	7	7	1	1	1	1	5	7	8	8
	Shandong	14	18	18	20	-	2	2	4	14	20	20	24
	Shanxi	4	3	4	4	-	-	-	-	4	3	4	4
	Tianjin	6	6	5	5	5	5	4	4	11	11	9	9
South Western PRC	Chongqing	5	6	8	8	-	-	-	-	5	6	8	8
	Guizhou	2	2	3	3	-	-	-	-	2	2	3	3
	Sichuan	2	2	-	1	6	6	7	9	8	8	7	10
	Yunnan	2	6	7	7	-	-	-	-	2	6	7	7
Southern PRC	Fujian	2	8	10	10	5	6	6	7	7	14	16	17
	Guangdong	4	13	14	15	4	5	7	8	8	18	21	23
	Guangxi	4	8	8	9	-	2	2	1	4	10	10	10
Hong Kong	Hong Kong	1	1	1	1	4	2	2	2	5	3	3	3
Total		120	184	197	202	47	58	62	66	167	242	259	268

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The following map shows the approximate locations of our Retail Stores in the PRC and Hong Kong as at 30 June 2010.



During the Track Record Period, we primarily utilized two distribution channels: (i) our self-operated Retail Stores; and (ii) Retail Stores operated by distributors and sub-distributors. As at the Latest Practicable Date, we no longer have any sub-distributors. Regardless of the distribution channel, it is our strategy to locate our Retail Stores in more prestigious shopping areas, which are usually located in close proximity to other competing menswear brands. Currently, a significant portion of our Retail Stores are located in established department stores and shopping malls. We strive to have our Retail Stores for each brand designed and decorated to present a consistent and distinctive brand image, from the design and color of the Stores to the merchandise display. In addition to our two primary distribution channels, we also sold a small portion of our products through multi-brand or other distributors during the Track Record Period. These multi-brand or other distributors were Independent Third Parties and private enterprises and individuals in the PRC, and we offered them the same sales terms and conditions as our other distributors. During the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, sales through these multi-brand or other distributors accounted for 0.3%, 0.6%, 0.6% and 1.1%, respectively, of our revenue from our sales of *V.E. DELURE* branded products and 0.8%, 9.2%, 13.1% and 4.4%, respectively, of our revenue from our sales of *TESTANTIN* branded products. The Directors have confirmed that we plan to gradually convert multi-brand and other distributors into *V.E. DELURE* or *TESTANTIN* branded distributor Stores beginning in 2011.

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We aim to provide high quality customer service and product knowledge training service to our distributors. We send our sales representative office managers to the Retail Stores operated by our distributors to provide training to the Store personnel. From time to time we invite the Store managers to attend in-house training courses. We conduct training sessions at our headquarters approximately twice a year and approximately once per quarter at our regional offices. In addition, operation manual multimedia training materials are also provided to our distributors as a guideline on the operation of their Retail Stores. This training is intended to provide information about our brand history, operations, customer sales techniques and products. This practice is to ensure that the quality of services provided at the Retail Stores operated by our distributors and our self-operated Stores is consistent.

The following tables set forth the movement of the number of Stores of our *V.E. DELURE* and *TESTANTIN* brands, respectively, during the Track Record Period:

V.E. DELURE

	Newly opened (other than those Stores switched from distributors Stores to self-operated Stores)		Switched from distributors Stores to self-operated Stores		Closed (other than those Stores switched from distributors Stores to self-operated Stores)		Total number of Stores at year/period end		
	Self- operated	Distributors	Self- operated	Distributors	Self- operated	Distributors	Self- operated	Distributors	Total
Year ended 31 December 2007	2	19	5	(5)	-	-	27	93	120
Year ended 31 December 2008	13	71	3	(3)	(4)	(16)	39	145	184
Year ended 31 December 2009	11	22	14	(14)	(5)	(15)	59	138	197
Six months ended 30 June 2010	6	7	7	(7)	(1)	(7)	71	131	202

TESTANTIN

	Newly opened (other than those Stores switched from distributors Stores to self-operated Stores)		Switched from distributors Stores to self-operated Stores		Closed (other than those Stores switched from distributors Stores to self-operated Stores)		Total number of Stores at year/period end		
	Self- operated	Distributors	Self- operated	Distributors	Self- operated	Distributors	Self- operated	Distributors	Total
Year ended 31 December 2007	3	7	-	-	-	-	12	35	47
Year ended 31 December 2008	1	15	-	-	(2)	(3)	11	47	58
Year ended 31 December 2009	1	10	-	-	(1)	(6)	11	51	62
Six months ended 30 June 2010	5	7	-	-	(3)	(5)	13	53	66

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The following table sets forth the movement of the total number of Stores for both our proprietary brands during the Track Record Period:

V.E. DELURE AND TESTANTIN

	Newly opened (other than those Stores switched from distributors Stores to self-operated Stores)		Switched from distributors Stores to self-operated Stores		Closed (other than those Stores switched from distributors Stores to self-operated Stores)		Total number of Stores at year/period end		
	Self- operated	Distributors	Self- operated	Distributors	Self- operated	Distributors	Self- operated	Distributors	Total
Year ended 31 December 2007	5	26	5	(5)	-	-	39	128	167
Year ended 31 December 2008	14	86	3	(3)	(6)	(19)	50	192	242
Year ended 31 December 2009	12	32	14	(14)	(6)	(21)	70	189	259
Six months ended 30 June 2010	11	14	7	(7)	(4)	(12)	84	184	268

The following table sets forth the movement of distributors of our ***V.E. DELURE*** and ***TESTANTIN*** brands that are appointed and terminated during the Track Record Period:

	<i>V.E. DELURE</i>			<i>TESTANTIN</i>			Number of distributors operating both V.E. DELURE and TESTANTIN Stores	Total number of distributors at year/ period end
	Newly appointed	Terminated	Total number at year/ period end	Newly appointed	Terminated	Total number at year/ period end		
Year ended 31 December 2007	6	(1)	39	7	-	24	3	60
Year ended 31 December 2008	47	(8)	78	14	(4)	34	11	101
Year ended 31 December 2009	13	(25)	66	9	(10)	33	9	90
Six months ended 30 June 2010	4	(7)	63	5	(4)	34	9	88

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The following tables set out the breakdown of our retail network by geographic region, distribution channel and our self-owned brands as at each of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively:

V.E. DELURE:

Region	As at 31 December									As at 30 June		
	2007			2008			2009			2010		
	Self-operated Stores	Stores operated by distributors	No. of distributors	Self-operated Stores	Stores operated by distributors	No. of distributors	Self-operated Stores	Stores operated by distributors	No. of distributors	Self-operated Stores	Stores operated by distributors	No. of distributors
Central PRC	-	11	4	4	17	8	4	20	7	5	23	7
Eastern PRC	5	29	13	4	35	18	7	35	14	7	32	11
North Eastern PRC	1	6	4	3	17	13	7	11	9	7	10	9
North Western PRC	-	12	3	-	19	7	4	17	5	5	16	4
Northern PRC	12	22	9	12	27	14	12	29	16	12	31	17
South Western PRC	-	11	4	-	16	6	9	9	2	16	3	3
Southern PRC	8	2	2	15	14	12	15	17	13	18	16	12
PRC sub-total	26	93	39	38	145	78	58	138	66	70	131	63
Hong Kong	1	-	-	1	-	-	1	-	-	1	-	-
Total	27	93	39	39	145	78	59	138	66	71	131	63

TESTANTIN:

Region	As at 31 December									As at 30 June		
	2007			2008			2009			2010		
	Self-operated Stores	Stores operated by distributors	No. of distributors and (Sub-distributors)	Self-operated Stores	Stores operated by distributors	No. of distributors and (Sub-distributors)	Self-operated Stores	Stores operated by distributors	No. of distributors and (Sub-distributors)	Self-operated Stores	Stores operated by distributors	No. of distributors and (Sub-distributors)
Central PRC	-	2	2(-)	-	3	3(-)	-	4	2(-)	-	1	1(-)
Eastern PRC	-	13	10(-)	-	13	10(-)	-	12	9(-)	2	13	9(-)
North Eastern PRC	-	4	2(-)	-	8	6(-)	-	8	5(-)	-	7	4(-)
North Western PRC	-	3	2(-)	-	5	2(-)	-	7	3(-)	-	7	3(-)
Northern PRC	5	1	1(-)	5	3	3(-)	4	3	3(-)	4	5	4(-)
South Western PRC	-	6	1(6)	-	6	1(6)	-	7	1(7)	1	8	1(7)
Southern PRC	3	6	6(-)	4	9	9(-)	5	10	10(-)	4	12	12(-)
PRC sub-total	8	35	24(6)	9	47	34(6)	9	51	33(7)	11	53	34(7)
Hong Kong	4	-	-	2	-	-	2	-	-	2	-	-
Total	12	35	24(6)	11	47	34(6)	11	51	33(7)	13	53	34(7)

For purposes of this document:

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

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

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

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Notes:

1. The sales of *TESTANTIN* products through *TESTANTIN* self-operated Stores decreased in the year ended 31 December 2009 primarily because we launched a series of promotional events at our *TESTANTIN* self-operated Stores in Hong Kong offering 10% to 60% discounts to customers in 2009 in response to the highly competitive retail market in Hong Kong and the generally difficult economic environment in Hong Kong as a result of the global economic crisis and the closing of two *TESTANTIN* Stores in Hong Kong in late 2008. Our sales to *TESTANTIN* distributors increased in the year ended 31 December 2009 mainly because (i) the full year effect of our sales to certain other distributors in 2009 appointed in 2008 that did not operate through Retail Stores; (ii) the full-year effect in 2009 arising from the 15 newly opened *TESTANTIN* Stores operated by the distributors located in the PRC in 2008; and (iii) the number of *TESTANTIN* Stores operated by the distributors located in the PRC increased from 47 as at 31 December 2008 to 51 as at 31 December 2009. The four newly-opened *TESTANTIN* Stores in 2009 were opened in the second half of 2009 when the economic conditions after the financial crisis began to improve.
2. From August 2004 to August 2009, we acted as the sole distributor for an Italian menswear brand, Harmont & Blaine, in the PRC. The distributorship agreement for the Harmont & Blaine brand expired in August 2009. According to the distributorship agreement, we had nine months to sell the remaining stocks after the agreement was terminated. Beginning in early 2008, we started to act as an authorized dealer of CARTIER accessories sold in two CARTIER Stores, one in Fuzhou and the other in Nanning, both of which are operated by us. In September 2010, we opened our third CARTIER Store in Xiamen.
3. Our customers consisted of end customers and distributor customers. Our end customers include retail customers that purchased products directly from us through our self-operated Stores and corporate customers that purchased large volume made-to-order products directly from us through our corporate sales. Our distributor customers purchased products from us and then sell to the end customers in general.

The following tables set out our revenue breakdown by geographical region and brand during the Track Record Period:

V.E. DELURE	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB million)	%(RMB million)	%(RMB million)	%(RMB million)	%(RMB million)	%(RMB million)	(RMB million)	%(RMB million)	(RMB million)	%(RMB million)
Region										
Central PRC	8.2	5.6	20.8	8.7	22.9	7.6	7.8	7.6	26.0	12.6
Eastern PRC	31.3	21.2	47.7	19.9	59.6	19.8	22.1	21.6	33.5	16.2
North Eastern PRC	9.9	6.7	17.1	7.2	28.0	9.3	9.1	8.9	15.8	7.7
North Western PRC	9.0	6.1	17.3	7.2	20.5	6.8	6.8	6.6	15.6	7.6
Northern PRC	30.9	21.0	65.4	27.3	69.9	23.2	27.2	26.6	48.9	23.7
South Western PRC	8.1	5.5	9.4	3.9	17.2	5.7	5.4	5.3	14.5	7.0
Southern PRC	43.5	29.6	53.8	22.5	77.3	25.7	20.9	20.4	50.1	24.3
PRC sub-total	140.9	95.7	231.6	96.7	295.4	98.1	99.3	97.0	204.4	99.1
Hong Kong	6.4	4.3	7.8	3.3	5.6	1.9	3.1	3.0	1.8	0.9
Total	147.3	100.0	239.4	100.0	301.0	100.0	102.4	100.0	206.2	100.0

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

We primarily operate Retail Stores in the PRC in two ways: our self-operated Stores, and Stores operated by our distributors or sub-distributors.

I. Self-operated Stores

As at 31 December 2007, 2008 and 2009 and 30 June 2010, we operated 39, 50, 70 and 84 Retail Stores of our owned brands, respectively. The term of our lease agreements or cooperation agreements for these Retail Stores generally ranges from six to twelve months depending on the policies of the department stores and shopping malls from which we lease. As at 30 June 2010, over 70% of the lease agreements or cooperation agreements for our self-operated Retail Stores had a term of no more than one year. As at 30 June 2010, over 80% of our self-operated Retail Stores are located in Hong Kong and tier one and tier two cities in the PRC, such as Beijing, Shanghai, Tianjin, Changchun, Xi'an, Nanjing, Shenzhen and Guangzhou. It is our strategy to directly manage our Stores in key targeted markets in which high purchasing power exists. We believe that our strategy of establishing self-operated Stores in strategic prime locations is critical to increasing our brand equity and reinforcing our image by the following means:

- total control over our Store setting and direct contact with customers allows us to optimize our marketing efforts directly to customers as well as directly instill in our customers our brand image and atmosphere which we create and express through our self-operated Stores; and
- our self-operated Stores also enable us to provide a consistent and high standard of service to our customers and obtain direct feedback from them which is a useful information source for our product design of the next collection.

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In identifying the target markets in which to locate our Stores, we consider factors including profit and growth potential, cities' location and profile, and our local knowledge, experience and competitive advantages. The Directors also believe that having self-operated Retail Stores can serve the purpose of brand promotion and attract potential distributors to carry our products in order to establish our distributorship network.

Most of our self-operated Stores are operated under the following type of arrangement. We enter into cooperation agreements or lease agreements with department stores or shopping malls which govern the operation of our self-operated Stores, in particular, the collection of sales proceeds. Generally, the department stores and shopping malls charge a fixed fee or a percentage of the sales turnover of our Stores as commission income subject to an agreed monthly or annual minimum commission amount determined based on an agreed minimum turnover target of the relevant Stores. The rental expense for our self-operated Stores is generally a fixed amount or a variable rent based on the turnover of the self-operated stores with or without a minimum fixed portion. For Stores with variable rent with a minimum fixed portion, if turnover falls below a predetermined threshold, the Store will pay a minimum fixed fee. If the turnover of the Store stays above such threshold, rental payment of the Store will be a percentage of the turnover. For Stores with variable rent and no minimum fixed portion, there is no predetermined threshold and therefore the Group has no committed rental payment. For such Stores, the variable rental payment will be a percentage of the turnover and such percentage of turnover generally ranges from approximately 13% to 30% of average turnover of the relevant Store as at 30 June 2010. For Stores with fixed rent, rental payments do not vary with turnover and are based on an agreed amount. For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the amount of rental fees paid to department stores and shopping malls by our self-operated Stores were approximately RMB26.3 million, RMB43.1 million, RMB49.9 million and RMB34.4 million, respectively. Sales proceeds are usually first collected by department stores or shopping malls and are typically paid to us within one to three months after deducting monthly rental expense or a commission from the sales of the self-operated Store and any other relevant operating fees. The department stores and shopping malls are not entitled to unilaterally terminate the leases or cooperation agreements unless we breach our contractual obligations.

We believe that our brand image can be most effectively enhanced from tier one and tier two cities where we focus our marketing of the *V.E. DELURE* brand because of the association of such cities with the forefront of design and fashion, and the ability of such cities to influence design and fashion in tier three and tier four cities. To more effectively roll-out our sales and marketing campaigns on a national level, it is critical that our self-operated Stores are located at prime locations in tier one and tier two cities to capture pedestrian traffic of affluent shoppers with high consumption abilities. In connection with this, during the Track Record Period, we were able to secure retail locations for our *V.E. DELURE* self-operated Stores in established department stores such as the Beijing Yansha Youyi Shopping City Limited, Tianjin Friendship Shopping Center, Charter Shopping Center, Xi'an

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Centuryginwa, Nanjing Golden Eagle Department Store, Harbin Songlei, Beijing Le Tian Intime Department Store Limited, Nanning Dream Island Shopping Center, Kunming Gingko Department Store Golden Dragon Branch, Guangzhou Department Store, Nanning Dream Island Shopping Center Gucheng Branch, Nanning Dream Island Shopping Center Crystal City Branch, Beijing Yansha Youyi Shopping City Jinyuan Branch, Guangzhou Tianhe City Department Store, Guiyang Guomao Plaza and Wenzhou Times Square Shopping Center. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, sales generated from our *V.E. DELURE* self-operated Stores in the above-mentioned established department stores amounted to RMB14.4 million, RMB32.9 million, RMB47.3 million and RMB36.7 million, respectively, representing 36.7%, 39.0%, 34.5% and 40.4% of our revenue derived from our *V.E. DELURE* self-operated Stores, respectively.

As at 30 June 2010, we have set up 6 sales representative offices in Beijing, Shanghai, Tianjin, Wuhan, Nanning and Changchun, responsible for carrying out local supervision of our self-operated Retail Stores, general administrative and marketing work and reporting directly to the sales and marketing team in our headquarters. Sales representative offices are also responsible for identifying any potential business and market opportunities for the development of new Stores within these regions. Through regular market studies, sales representative offices will identify the appropriate prime locations with high consumer traffic for new Store openings, which are expected to generate substantial sales volume. Proposals for new Store openings in selected locations will be submitted to headquarters for final review and approval.

During the Track Record Period, sales for the vast majority of our self-operated Stores were made by concessionary sales of products at department stores and shopping malls which means sales proceeds are first collected by department stores or shopping malls and are paid to us after deducting applicable monthly rental fees, commissions and/or other operating fees. The remaining self-operated Stores of our *V.E. DELURE* brand sold products to, and collected payments directly from, our customers. We had one such *V.E. DELURE* brand store in Guangzhou in 2008 and one such *V.E. DELURE* brand Store in each of Guangzhou and Shanghai during 2009 and the six months ended 30 June 2010. Revenue generated from such Stores was about, RMB1.1 million, RMB5.1 million and RMB3.4 million for the two years ended 31 December 2009 and six months ended 30 June 2010, respectively.

II. Distribution by distributors/sub-distributors

We distribute our products through our distributors, and accordingly, they are our customers. All of our distributors and sub-distributors are either corporations or individuals that are Independent Third Parties with relevant retail and management experience in the PRC. We do not have any ownership interests and management position in our distributors and their sub-distributors. As at 31

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December 2007, 2008 and 2009 and 30 June 2010, we had 60, 101, 90 and 88 distributors respectively (of which 3, 11, 9 and 9 operated both *V.E. DELURE* and *TESTANTIN* Stores, respectively), and 6, 6, 7 and 7 sub-distributors, respectively. Of our 88 distributors as at 30 June 2010, over 40% had business relationships with us for more than two years and approximately 45% are individuals. The Directors are of the view that it is not uncommon in the industry to have distributors which are individuals. As at 30 June 2010, our distributors and sub-distributors operated a total of 184 Retail Stores covering 121 cities and 23 provinces/municipal/autonomous regions of the PRC. As at the Latest Practicable Date, at our request, our relevant distributors have terminated all their sub-distributorship agreements for our products with their sub-distributors. Those sub-distributors have entered into direct distributorship agreements with us.

Under the distributorship business model, when selecting distributors, we take into account a number of factors, including their geographical location, retail and management experiences, financial resources (including a minimum liquidity requirement) and capacity for developing retail networks. We will generally conduct extensive due diligence before engaging new distributors such as making inquiries with shopping malls and department stores regarding the competence of such distributors. We are able to achieve growth by leveraging the resources of our distributors, our expertise in retail distribution and retail management and the local relationships of our distributors in certain markets where we believe the distributors have better competitive advantages. Our top five distributors accounted for about 12.3%, 12.2%, 11.3% and 16.2%, respectively, of our total sales for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. The number of Stores operated by our top five distributors was 30, 28, 34 (seven stores of which are operated by one distributor through sub-distributors) and 35 (eight Stores of which are operated by one distributor through sub-distributors), respectively, as at 31 December 2007, 2008 and 2009 and 30 June 2010. Sales from our largest distributor accounted for about 3.4%, 3.3%, 3.7% and 4.7%, respectively, of our total sales for the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. This distribution business model also enables us to better manage our growth of business and allows us to expand our retail network rapidly with lower capital expenditure compared with opening self-operated Stores. It also allows us to focus on designing and developing new products, and to allocate more of our resources to product design and brand management. The Directors confirmed that none of the Directors, or their respective associates, or any Shareholder holding more than 5% of the issued Shares had any interests in any of these five largest distributors throughout the Track Record Period. During the Track Record Period, there were no material disputes between us and our distributors.

As at 30 June 2010, we had eight Stores in the Sichuan Province (excluding Chengdu) operated by our sub-distributors. As at the Latest Practicable Date, we no longer have any sub-distributors as we entered into distributorship agreements directly with such sub-distributors, making them our direct distributors.

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In order to prevent competition and cannibalization at our retail level, we generally conduct an evaluation on the population size of the region, living standards and spending power of the residents in such region before permitting our distributors to open new Stores in our existing markets. In addition, to avoid overlapping of distributors and the risk of competition between our distributors for each brand within our distribution network, only one sole distributor is assigned to a particular region and each distributor is only permitted to sell our products inside its defined geographical area. Given the growing market for menswear in the PRC, the Directors believe that there is potential for a significant expansion of business within our distribution areas. As such, the Directors believe that there is currently no over-concentration of Retail Stores within our distribution network.

Management of distributors

In our distribution business model, our distributors are principally responsible for selecting and ordering products and overseeing the operation of Retail Stores. With respect to the distributorship agreements entered into for the years ended 31 December 2007, 2008 and 2009, total committed purchase amounts from our distributors amounted to approximately RMB108 million, RMB167 million and RMB148 million, respectively and the Directors confirmed that about 87% and 90% of our distributors were able to meet their committed purchase amounts in respect of their distributorship agreements entered into for the years ended 31 December 2007 and 2008, respectively. As at the Latest Practicable Date, over 90% had met their committed purchase amount in respect of their distributorship agreements entered into for the year ended 31 December 2009. We have terminated the distributorship agreement with some of our distributors based on our assessment of their performance.

Our sales team is responsible for monitoring our distributors' performance. We make clear to our distributors that we are responsible for co-ordinating marketing and promotional activities to ensure brand image consistency. We also provide in-store marketing support such as the provision of display items. All the distributors' Stores will bear the same decor and setting to create a consistent brand image. In some instances, we will sponsor the decoration and fittings of certain distributors' Stores.

Our sales team communicates with our distributors to monitor and analyze the sales performance and market status of our Retail Stores and to assess whether adjustments to their current operation strategies, such as promotional activities, advertising plans or product mix, need to be made. We generally require our distributors to report sales status and inventory levels to us on a weekly or monthly basis. We also discuss the sales status and inventory status of the Retail Stores operated by our distributors. We oversee the accuracy of such sales status by analyzing the historical sales and inventory levels at each Retail Store operated by our respective distributors and checking the pattern of the actual orders placed with us. We believe the amount of orders placed by our distributors corresponds to the actual sales and inventory status of our distributors. By reviewing sales and the inventory data and making reference to the orders placed by our distributors, the Directors believe that our distributors have not accumulated stock in an amount

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which exceeds their actual sales operation. In some cases, in order to enhance optimal product mix of each Retail Store, we will communicate with our distributors and review sales data. After such communications and reviews, we will decide in our sole discretion whether to arrange to relocate underperforming products from one distributor to another distributor if our sales team believes that such products may better suit the local fashion trend in another geographic location.

Our sales team carries out periodic and ad hoc inspections to ensure the quality of services among Retail Stores operated by our distributors and those managed by us are consistent. We identify and inform distributors of any non-conforming individual Retail Stores and direct them to rectify the problem within a certain period of time.

In addition, we have a dedicated group of staff consisting of twelve members located in our regional offices that supervises the overall performance of our distributors and evaluates our distributors once every quarter.

Major terms of the distributorship agreements

We enter into distributorship agreements directly with our distributors for the sale of our products. We review the performance of our distributors on an annual basis and decide whether or not to renew such agreements. In general, key terms of our agreements and practices with our distributors are summarised as follows:

- Geographic exclusivity and duration – Our distributors have the exclusive right to sell our products as specified in their respective distributorship agreements with us within their defined geographic area and during the subsistence of the distributorship agreements. Our distributors are not permitted to sell our products outside their defined geographic area.
- Product exclusivity – Distributors of our Retail Stores are required to sell only our products at their Retail Stores for our *V.E. DELURE* and *TESTANTIN* brands and are not permitted to sell other products that compete or is likely to compete with our products at such Retail Stores.
- Minimum purchase targets – Our distributors are required to meet minimum annual purchase targets, which generally range from RMB0.3 million to RMB6.5 million per year. The minimum annual purchase targets depend on the respective size of each distributor and made with reference to their respective sales performances in the previous year. Generally, our distributors place most of their orders at our sales fairs, with the remaining replenishment orders being subsequent orders. Our distributors who place their orders during our sales fairs will usually obtain a discount, which generally range from 60% to 70% off the suggested retail price, for purchases made during our sales fairs.

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- Pricing and discount – Our distributors are required to follow our uniform suggested retail price for selling our products. We maintain standard pricing policies with our distributors in the PRC. Retail promotional activities such as clearance sales must be approved by us before launching such programs.
- Use of brand names – We authorise our distributors to use our brand names in relation to their distribution of our products in their defined geographic area.
- Store size – Our distributorship agreements do not expressly stipulate any requirement on store size for our *V.E. DELURE* distributors. The size of our *TESTANTIN* distributor's Retail Stores is expected to be at least 40 sq. m., depending on the location of their Retail Stores. We have no specific requirement on the number of stores to be opened by our distributors annually. Our distributors have to obtain our consent on store location prior to the opening of their Retail Stores.
- Renovation subsidies – We may provide subsidies to our distributors on a case by case basis.
- Others – We generally do not have a profit and cost sharing arrangement with our distributors. However, our distributors are required to share our cost for the marketing material for certain special promotional activities and gift for standard marketing activities.
- Payment, credit terms and delivery – We normally require full payment from our distributors before delivery. Our distributorship agreements with distributors provide that upon placing of an order at a sales fair, our distributors must pay a deposit of 30% of the total purchase amount and the remaining balance has to be settled by them before the delivery of our products. In practice, for certain distributors with long business relationships and satisfactory credit history, we may grant them a credit period ranging generally between 30 to 90 days for the remaining balance. Please refer to the section titled "Business – Cash and Credit Control" in this document for further details.

For delivery of our products in Guangzhou, we bear the delivery cost, while for delivery of our products outside Guangzhou, our distributors are responsible for the cost of delivery. Our distributors are responsible for the cost of insurance.

- Store design – Our distributors are required to adhere to our designated store renovation and design standards.

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- Sales report – Our distributors are required to provide us with the operating statistics of their Retail Stores, such as sales reports and inventory reports upon our request.
- Return and exchange of goods – Defective goods can be returned to us, if our distributors report the defects formally to us within five days after the receipt of our products or such other period as we would otherwise agree.

Distributors are also allowed to exchange certain apparel products purchased in the same current season from us for other products, subject to the maximum rate of exchange. Distributors are not allowed to exchange leather goods and accessories. *V.E. DELURE* distributors are allowed a maximum rate of exchange of 10% of the purchase amount or as agreed by us, within 60 days after the delivery of the products. *TESTANTIN* distributors are allowed a maximum rate of exchange of 20% of the purchase amount, within 60 days after delivery of the products. The exchange does not include any buyback of our goods or any amount to be deducted from or offset by the payment made or payable by the distributors.

- Right of termination – We reserve the right to terminate our distributorship agreement if our distributors, among other things, (i) fail to meet the purchase target; (ii) sell our products outside of the defined geographic area; (iii) fail to comply with our pricing and discount guidelines; or (iv) fail to adhere to our designated store renovation and design standard. Should any of our distributors deviate from these terms with respect to the actions of the sub-distributors, we may have cause to terminate its agreements with any such distributors.

We commenced offering our distributors wholesale rebates in 2009. The amount of rebates were generally determined based on the purchase amount of each distributor and on a sliding scale ranging from 7.9% to 21.1% of the wholesale selling price for our *TESTANTIN* brand products and 3.0% to 20.0% of the wholesale selling price for our *V.E. DELURE* brand products, respectively. For the year ended 31 December 2009, the aggregate amount of rebates offered to our distributors was RMB4.3 million, representing 1.1% of our total revenue generated from sales to distributors for the same year. For the six months ended 30 June 2010, the aggregate amount of rebates offered to our distributors was RMB2.9 million, representing approximately 1.2% of our total revenue generated from sales to distributors for the same period. We have never paid the sales rebate in cash, and instead, all rebates for each distributor were deducted from the sales price of their next purchase order. Sales rebates are deducted from our gross revenues in our consolidated income statement.

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Based on the fact that our distributors and we are independent entities and our distributorship agreements expressly stipulates that our distributors shall be responsible for their own liabilities and indebtedness in relation to the distribution of our products within their defined geographic area, the PRC Legal Advisor is of the view that any non-compliance with relevant laws and regulations by our distributors will not result in any liability to us.

Under the relevant PRC laws, where product liability arose from the Group's fault, the Group shall be responsible for the product liability claim, and where the product liability arose from the distributors' fault or other third parties' fault, distributors or other third parties shall ultimately be responsible for the product liability claim.

During the Track Record Period, we had a few sub-distributors selling our products. We did not have direct contractual relationships with those sub-distributors and we relied on our distributors to oversee the sub-distributors. Should any of our distributors deviate from these terms with respect to the actions of the sub-distributors, we would have cause to terminate such distributorship agreements with any such distributors. Under the distributorship agreements we entered into with our distributors, our distributors are not permitted to transfer, rent or lend the licensing certificate and any related documentation regarding our products to any third parties within their defined geographic area. Our distributorship agreements and our internal policy generally prohibit the introduction of sub-distributors. But for Sichuan Province (other than Chengdu), considering the particular circumstance in Sichuan Province, where the distributor before signing distributorship agreements with us already had business connections with the sub-distributors and for ease of central management of distributorship arrangement in the region, we agreed with the applicable distributor to allow for the introduction of these sub-distributors in Sichuan Province (other than Chengdu) to distribute our *TESTANTIN* branded products. In order to ensure that the sub-distributors in Sichuan are in compliance with our standard pricing policies, we required our distributors to include our standard pricing policies in its sub-distributorship agreements. In order to enhance our distribution management ability, as at the Latest Practicable Date, at our request, our relevant distributor have terminated all its then existing sub-distributorship agreements of our *TESTANTIN* brand with its sub-distributors. These sub-distributors have entered into direct distributorship agreement with us. The Directors confirmed that we will no longer allow our distributors to appoint sub-distributors going forward.

III. Corporate sales

We have engaged in high volume corporate sales including made-to-order services. We utilize multiple channels to generate corporate sales, including initiating contacts with potential corporate customers to propose offers of bulk purchases, leveraging our distributors' existing relationships with large corporations, and promoting our brand awareness through the sponsorship of sports and charity events to attract new corporate customers. Sales made through this channel amounted to approximately RMB6.0 million and RMB2.1 million for the

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year ended 31 December 2009 and the six months ended 30 June 2010, respectively. Under this model, we intend to target large corporate clients, banks and government bodies that fit with our branding theme and offer their executives and managers a personalized service. Going forward, we intend to increase further the sales to these entities and we believe the provision of such services will serve as a cost effective channel to rapidly increase our brand awareness and equity among executives and managers of reputable corporations and entities.

MARKETING AND PROMOTION

We have a dedicated marketing team that is responsible for conducting and coordinating the marketing and promotional activities of *V.E. DELURE* and *TESTANTIN*. As at 30 June 2010, our marketing team consisted of four staff members who worked closely with the design teams when initiating and executing marketing themes. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, amounts incurred for sponsorship and charity events by us amounted to about RMB0.5 million, RMB2.6 million, RMB1.4 million and RMB1.9 million, respectively. The key marketing and promotional activities that we carry out for the brands consist of the following:

Team and event sponsorships

We currently sponsor the PRC's table tennis and badminton national teams by providing formal attire for major sporting events. We are the sponsor of formal attire for the PRC national table tennis team since 2006. In addition, The Management Centre of Table Tennis and Badminton has authorised us to be the "Exclusive and Designated Sponsor of Formal Attire" (禮儀服飾唯一指定贊助商) and "Professional Image Consultant in Formal Attire (禮儀服飾專業形象顧問)" of the PRC national table tennis team for a term of five years from 2010 to 2015 to provide formal attire for team members of the table tennis national team. We also entered into an arrangement with The Management Centre of Table Tennis and Badminton in February 2010 to sponsor the formal attire for the PRC national badminton team for a term of five years from January 2010 to December 2015. Under the sponsorship agreements with The Management Centre of Table Tennis and Badminton, we are authorised to be held out as the exclusive sponsor of the respective PRC national table tennis and PRC national badminton team's formal attire and the team's exclusive image consultant. The team members will wear our attire in important competitions and ceremonial and official events and participate in appropriate promotional events; and will attend as many charity events as possible unless engaged in competition.

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In addition, we also sponsor other select events such as activities organized by certain magazines in order to enhance our brand awareness among our customers. For example, we sponsored the event “2007 年中國精英年鑒 (年度十大精英男性) 頒獎典禮” organized by “Mangazine” (名牌雜誌) in December 2007, in which Guangzhou Changyue acted as its exclusive official fashion sponsor to provide tailor-made suits to the winners of the “top ten most influential persons.” We also sponsored the prize-giving ceremony “中國時尚先生頒獎典禮” organized by Esquire (時尚先生) in 2007, in which the *V.E. DELURE* logo appeared on the backdrop and admission tickets of the event. We also hosted the “Table Tennis and China” cultural exhibition in 2008, sponsored the “Top 10 Economic Celebrity in Guangdong” in 2008 and sponsored the filming and promotion activities of Esquire in 2008. We believe that our brand image will benefit from being associated with sponsoring teams and events that portray a healthy and positive image and convey the brand message of “Love of Success and Champions.”

Charity events

We actively sponsored and participated in charity events, which in turn promote our image as a socially responsible corporation and convey the message of “Love and Compassion.”

We made donations to build a primary school named “Dream Island DELURE Charity School” in Guilin, Guangxi Province in December 2008 and also donated both cash and materials to support students with economic difficulties in certain cities of the Guangxi Province to continue their studies. We organized and sponsored a series of fundraising events, namely “熱愛鑄造夢幻經典”, jointly with charitable bodies and reputable shopping malls in cities such as Tianjin, Guangzhou, Wuxi and Qingdao for the poor and needy in 2006. In addition, we organized and sponsored a series of torch relay fundraising events namely “迪萊愛

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心火炬轉遞”， jointly with the table tennis national team and well known shopping malls, in 2009. During the Track Record Period, donations were made to more than 30 primary schools in Guangdong, Guangxi, Chongqing, Hebei, Suzhou, Qingdao and Xiamen. We also made donations to help the needy, such as the victims in the Sichuan earthquake, flooding and snowstorm in the PRC. We believe these kinds of charity events can further increase our customers’ recognition of our brand message of “Love and Compassion.”

Product placement and advertising

We advertise selectively in fashion magazines (such as “Modern” (新現代畫報) and “Esquire” (時尚先生)) to raise brand awareness among our target customers. For example, we sponsored Esquire for their photo-shooting of a well-known Chinese NBA basketball player, in which he was dressed in a *V.E. DELURE* brand suit and appeared in the November 2006 edition of Esquire.

Fashion shows

Participating in fashion shows with heightened media coverage can raise awareness of our brands among the fashion industry. During the Track Record Period, fashion shows for the *V.E. DELURE* and *TESTANTIN* brands such as the Beijing China International Clothing & Accessories Fair in 2008 and the Guangxi Nanning charity fashion show organized by us in 2009 were held to display the latest designs and colour themes of the brands. Local celebrities, designers, media and editors of fashion magazines were also invited to generate stronger media coverage.

Customer services

We have a VIP membership program in place to encourage customers spending and develop customer loyalty. The Directors consider customer loyalty to be important in the upmarket fashion industry. In the PRC, *V.E. DELURE* customers that spend at least RMB5,000 in one purchase or at least RMB8,000 over a three month period and *TESTANTIN* customers that spend at least RMB3,000 in one purchase, RMB5,000 over a three-month period or RMB10,000 in one year are eligible to enter into our VIP membership program. As an incentive, VIP members are generally entitled up to a 15% discount from normal sales prices. Marketing information and fashion catalogues are regularly communicated and/or mailed to VIP members to keep them informed of the latest seasonal collections. In addition, VIP members are invited to fashion shows and other events that we sponsor. VIP members at some Stores are also provided with personal services such as a dedicated VIP area for tea and beverage consumption. Gifts are presented to the VIP members on their birthdays. We also invite VIP members to our promotional sales in our selected Retail Stores from time to time. Under the current membership program, our VIP members are entitled to the above-mentioned membership privileges in all Stores of the respective brands of *V.E. DELURE* and *TESTANTIN*, including those operated by us or by any distributors/sub-distributors. A membership points program is currently available, pursuant to which our VIP

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members can earn membership points on every RMB of purchase at our *V.E. DELURE* self-operated Stores. Our VIP members will be entitled to certain free gifts by redeeming the membership points. Membership points can be accumulated, but any unclaimed membership points by the end of 2010 will be forfeited. As the membership points are only valid during the year of purchase and cannot be carried forward after year-end, the revenue in relation to the VIP program has been realized and the respective costs of the free gifts have been provided as incurred upon redemption in each of the respective years. No provision for deferred revenue is necessary to be made as at each year end of the Track Record Period.

Our sales return policy is in line with the relevant consumer protection laws with respect to return policies on merchandise in the PRC and Hong Kong. Our distributors are required 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 a prescribed period from the receipt of the product. Distributors are deemed to have accepted the goods as satisfactory in the absence of such notice. Where some defects are not obvious, we may, on a case-by-case basis, allow returns of goods from distributors beyond the prescribed notice period. Sales return for cash refunds for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 amounted to nil, nil, RMB28,000 and nil, respectively. Our sales and marketing team is also trained to deal with any complaints that may arise from customers, including the verification of any alleged defects in the merchandise.

Other promotional activities

We conduct other promotional activities from time to time. For instance, we collaborate with department stores and shopping mall owners to participate in certain seasonal promotional campaigns and we share such promotion costs with the distributors and the event organizers.

CASH AND CREDIT CONTROL

In general, sales made for the vast majority of our self-operated Retail Stores are settled by the end customers by cash or credit card to the department stores or shopping malls. Such sales proceeds generated from the self-operated Retail Stores are typically paid to us by the department stores or the shopping malls within one to three months after deducting the monthly rental expenses, concession commissions and/or any other relevant operating expenses. The monthly concessionaire commissions (if applicable) are calculated at an agreed percentage of the monthly sales receipts made by the self-operated Retail Stores. During the Track Record Period, we did not experience any material default in collecting the sales proceeds for our self-operated Retail Stores.

We maintain strict control over our cash management. Daily reports on our bank balance are prepared by our treasury staff and reviewed by our management. Monthly cashflow forecasts are also prepared to facilitate the management of our cashflow.

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For Retail Stores operated by our distributors, the distributorship agreements provide that distributors shall pay a deposit of 30% of the total purchase amount upon the placing of a sales order at a sales fair and the remaining balance usually has to be settled by the distributors before delivery of products. For some distributors with long business relationships and satisfactory credit history, we may consider granting certain credit periods on the remaining balances generally between 30 days to 90 days depending on the circumstances. We do not have direct contractual relationships with the sub-distributors and as such, we do not extend credit terms to the sub-distributors. In determining bad and doubtful debt, our management takes into account the credit history and payment pattern of our distributors as well as their on-going relationships with us. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we did not make any provisions for bad and doubtful debts.

INVENTORY CONTROL

We recognize that maintaining an appropriate level of raw materials and finished goods inventory is important to our overall operation and profitability. We specify target minimum purchase amounts for each of our distributors. They generally fulfill this requirement through sales orders made in sales fairs and subsequent replenishment orders. This allows us to manage our inventory of raw materials and finished products more efficiently. We can maintain the optimal levels of inventories by making reference to the expected future sales arising from confirmed sales orders by distributors. On the other hand, commonly used raw materials such as suit fabrics in typical colors and accessories such as brand tags are usually stocked at a higher inventory level, in view of the longer usable life span and to enjoy certain discounts from suppliers for large volume purchases.

We also have special offer sales annually to clear unsold aged products that our staff and their families and friends are invited to attend. The Retail Stores also hold, in conjunction with department stores and shopping malls, promotional events for annual stock clearance, store anniversary sales or festival promotional sales as directed by respective department stores and shopping malls. We typically coordinate special offers between our self-operated Stores and the Stores operated by our distributors and sub-distributors.

We monitor our inventory level and inventory age on a regular basis, in order to minimize the risk of building up obsolete inventory. We closely monitor the obsolescence of inventory based on the expected future salability and the age of the inventory. We have implemented a computerized inventory control system to keep track of the inventory level. Physical stock counts will be carried out from time to time to identify the obsolete and slow moving inventories or damaged products. We make specific provisions for obsolete inventories if the carrying amount of these inventories is lower than their net realizable value. We review our inventories on hand every six months and estimate the net realizable value of these inventories based on their categories, year of design, historical discount rates and the saleability assessment and write down the carrying amount of these inventories to their net realizable value.

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During the Track Record Period, we determined our target level of inventory by taking account of various factors with a general goal of preventing accumulation of obsolete inventory and managing the inventory turnover at a reasonable rate. These factors include: (i) placing orders with our suppliers and outsourced manufacturers after we have received confirmed purchase orders from our customers or based on the demand forecast from our top customers and the anticipated opening time of new Retail Stores; (ii) improving the turnaround time for the replenishment order of best-selling products based on the feedback received from our distributors and the sales records of our self-operated Stores; and (iii) promoting the sales of aged inventories through promotional sales activities, including the regular monthly sales events and the large scale semi-annual clearance sales events. Examples of these sales events are the sales fair organized by our Zhongxing Store in Shenyang from 1 October 2009 to 11 October 2009 offering discounts ranging from 70% to 85%, the sales fair at our Stores on the Beijing Road, Guangzhou in November 2009 offering discounts ranging from 70% to 85%, and the sales fair in the office building where the headquarters of Guangzhou Changyue and Guangzhou Changzhuxing are located from November 2009 to February 2010 offering products to our VIP customers, employees and their family members at a preferential price. In general, for our promotional sales events we offer a discount of at least 15% on our slow-moving or obsolete goods primarily to our VIP customers, employees and their family members in addition to walk-in customers. We have a special inventory inspection team which consists of our senior staff from sales, operations, procurement, and finance departments and it conducts physical stock counts to identify obsolete and slow-moving inventories or damaged products every six months.

MANAGEMENT INFORMATION SYSTEMS

We employ a number of ERP and management information systems to support our business, which mainly consist of a real-time point-of-sale, or POS system, and an accounting system. All our self-operated Retail Stores are equipped with the POS terminal to record and collect sales details and inventory movement on a timely basis. The POS system is linked with the accounting system to provide processed information in the form of daily POS reports (which can be sorted by performance, brand, Store and geographic region) and monthly sales reports (which can be sorted by categories) for each self-operated Retail Store. Such availability of information allows our management to, among other things, track and analyze product margins, consumer preferences and demand, as well as support inventory, sourcing and logistic arrangements.

We plan to invest in enhancing our ERP and management information system in order to achieve better inventory control with our distributors. Our existing system only allows our management to centrally monitor sales activities and inventory levels at our self-operated Retail Stores on a timely basis from our office headquarters. The systems at each of our self-operated Stores are interconnected but our distributors' systems are not interconnected with our central system. Prior to the planned upgrade of the POS system to monitor the sales activities and inventory levels at the Retail Stores operated by our distributors, our sales team will monitor and analyze the sales performance and inventory status of the Retail Stores operated by the distributors through visits to the Retail Stores operated by our distributors or communication with our distributors. In addition, our distributors are required to report sales status and inventory level to us on a regular basis

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upon our request and our sales team will review such data and discuss the sales status and inventory level of the Retail Stores operated by our distributors. By reviewing the sales and inventory data and making reference to the orders placed by our distributors, the Directors believe that they can determine whether our distributors have accumulated stock in an amount which exceeds their actual sales operation. By upgrading such system and creating a direct interface between the individual system at each of the Stores operated by our distributors, we will be able to obtain timely operating data, thereby allowing central management to further improve our capabilities of inventory and financial management. According to our plans, we expect the enhanced ERP and management information system will be fully operational in approximately three years, which will be achieved in three phases. According to our expansion strategy, we expect to have 333 Retail Stores operated by our distributors as at the end of 2011 in 116 cities in the PRC. We estimate that it will take us around 18 months to connect the systems of these Retail Stores to our headquarters given the geographic coverage of our retail network in the PRC. The upgrade of the functions of the system will take us another year, including the connection of the ERP system with our accounting system and procurement system. After such connection is made sales details and inventory movements of the Retail Stores will be processed on a timely basis by the accounting system, and our management can then effectively plan the procurement of raw materials and product parts using such processed information. We will collaborate with our software developer to complete the test of functionality and stability of our upgraded system within half a year after the connection of the POS system and aim to ensure it is fully operational by the end of 2013.

COMPETITION

The competition in the middle-upper to high-end menswear market in the PRC is mainly based on branding, style, outlet coverage, product quality, customer service and the ability to retain repeat customers. There are barriers to entry in the market, which are mainly (i) considerable capital investments for building a strong brand, distribution outlets nationwide, logistic costs, training, and sustaining sufficient cash flow; and (ii) the difficulties in hiring good designers and technicians to ensure product style and quality, and reacting promptly and appropriately to changes in market trends.

We compete in the middle-upper to high-end menswear market in the PRC with an increasing number of local and international players. Our direct competitors for our *V.E. DELURE* include Satchi, VASTO and Aquascutum while for *TESTANTIN*, our competitors include Tommy Hilfiger and ELLE HOMME. The Directors believe that the competition in the PRC will continue in the future. Please refer to "Risk Factors – Risks Relating to the Industry – We face intense competition in the menswear industry in the PRC" in this document for more details. However, by having experience in owning, managing and developing high-end and/or international brands, nationwide retail networks and well-established relationships with high-end and landmark department stores and shopping malls in the PRC, the Directors believe we have a clear competitive advantage over many of our competitors.

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INSURANCE

We carry insurance covering risks including loss and theft of, and damage to, our properties (such as our fixed assets and inventories in our warehouses and production plant). We believe that our insurance coverage is in line with industry practice and as at 30 June 2010, we have not made or been the subject of any material insurance claims.

ENVIRONMENTAL PROTECTION AND OTHER REGULATORY COMPLIANCE

We are subject to PRC environmental laws and regulations, which include (the Environmental Protection Law of the PRC), (Law of the PRC on the Prevention and Control of Water Pollution), (Law of the PRC on the Prevention and Control of Atmospheric Pollution), (Law of the PRC on the Prevention and Control of Pollution From Environmental Noise) and (Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste). These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge.

Under the current PRC national and local environmental protection laws and regulations, any enterprise which discharges wastewater, waste products and polluted air, among others, shall report and register any discharge with the relevant environmental protection authorities. The relevant PRC laws and regulations also require any such enterprise to have treatment facilities for wastewater, waste products and polluted air, among others, that meet the relevant environmental standards and to have the pollutants treated before being discharged. In addition, the current PRC national and local environmental protection laws and regulations impose fees for the discharge of pollutants and fines for the discharge of pollutants which are insufficiently treated. The relevant laws and regulations also empower relevant governmental authorities to close down any enterprise that causes serious pollution.

According to these environmental laws and regulations, all business operations that may cause environmental pollution and other public health hazards are required to incorporate environmental protection measures into their plans and establish a reliable system for environmental protection. These operations must adopt effective measures to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water, solid waste, dust, malodorous gas, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

The PRC Legal Advisor has confirmed that during the Track Record Period, (i) we have fully complied with the relevant environmental rules and regulations and obtained all the required permits and environmental approvals for our production facilities, (ii) no environmental pollution incident was discovered, and (iii) no penalty of any kind was imposed on any of our members.

As we do not produce material quantities of industrial waste in our production and the Directors do not anticipate that our production will produce any material quantities of industrial waste in the future, other than the expenses that will be incurred for compliance

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with the current environmental laws and regulations, we have not allocated additional resources to new technology or to conducting research and development to reduce our impact on the environment.

The Directors have confirmed that we comply with the relevant requirements under the PRC laws and regulations for waste water treatment. We do not produce material waste during our production. The Directors believe that our production process does not create polluting substances in any material respect and that our operation is not subject to any future material environmental risk.

INTELLECTUAL PROPERTY RIGHTS

Details of our intellectual property rights are more particularly set out under the section headed "Statutory and General Information – III. Further Information about the Business – 2. Intellectual Property Rights" in Appendix VI to this document.

PROPERTY INTEREST

As at 31 August 2010, we leased four properties with an aggregate floor area of about 8,226 sq.ft. in Hong Kong, in which about 6,476 sq.ft. of the property was used for Retail Store operation and about 1,750 sq.ft. of the property was used for office purposes.

As at 31 August 2010, we also leased or held under agreements 18 properties with an aggregate floor area of about 13,128.17 square metres in PRC, in which about 4,000 square metres of the property was used for production, about 770.18 square metres of the property was used for Retail Store operations, about 2,860 square meters of the property was used as warehouses, and about 5,497.99 square metres of the property was used for office purposes (including sales representative offices).

All the above leases were entered into with lessors who are Independent Third Parties.

As at 31 August 2010, certain building ownership certificates in respect of a total floor area of 7,682.63 sq.m. of our leased properties in the PRC had not yet been provided by the relevant landlords to prove their ownership titles or rights to these properties as required under the relevant PRC laws and regulations. As a result, the validity of the relevant lease agreements is uncertain. Among these properties, we use about 230 sq.m. for Retail Store operations in Nanning, about 4,592.63 sq.m. are as offices and about 2,860 sq.m. as warehouses. The Nanning Store contributed about 0%, 0.5%, 1.3% and 1.8% of our revenue for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. In the event that the title to any of these leased properties is defective, we may be required to cease our occupation and usage of the above properties. However, the PRC Legal Advisor has confirmed that no penalty will be imposed on us for occupying leased properties with defective titles. Should we be required to relocate, we expect that we will be able to find comparable properties to lease at competitive rates and we may seek legal remedies against the counterparties.

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As at 31 August 2010, there were 14 of our leased properties for which the lease agreements had not been registered by the landlords. These lease agreements represented properties with an aggregate total floor area of approximately 4,589.49 sq.m. occupied by us in the PRC. Among these properties, we use about 624.5 sq.m. for Retail Store operations (four Retail Stores), about 1,104.99 sq.m. are used as offices and about 2,860 sq.m. are used as warehouses. We, being the tenants, alone cannot effect registrations without the landlord's cooperation.

According to the relevant PRC laws and regulations, the lack of registration of the above-mentioned lease agreements will not affect the validity or performance of these leases, but the relevant governmental authorities have the right to order the landlord and the tenant to complete the registrations. In addition, according to the relevant administrative regulations issued by the local governments of the respective cities where these leased properties are located, there is no provision in the relevant laws and regulations that subjects us to any penalties for failure to register the lease agreements with respect to seven of these properties, while seven of them may subject us to maximum penalties ranging from RMB500 to RMB30,000 respectively. The PRC Legal Advisor has confirmed that the maximum amount of possible penalties for our 14 lease agreements without registration is about RMB100,000 in aggregate.

Out of the aforementioned properties, as at 31 August 2010, about 540.18 sq.m. were used for retail operations (three Retail Stores), about 905.36 sq.m. were used as offices and about 4,000 sq.m. were used as a workshop, have been provided by the relevant landlords proving their ownership titles or rights to use these properties. According to the PRC Legal Advisor, the relevant lease agreements are enforceable under the relevant PRC laws and regulations and we would be able to enforce our rights to occupy such properties.

Furthermore, there were eight leased properties which we have changed their prescribed use of property as at 31 August 2010. According to the relevant administrative regulations issued by the local governments of the cities where such properties are located, there is no provision in the relevant laws and regulations that subjects us to any penalties for altering their prescribed use of property in respect of five of these properties, while three of these may subject us to maximum penalties ranging from RMB5,000 to RMB50,000. The PRC Legal Advisor has confirmed that the maximum amount of possible penalties for our eight leased properties which we have altered their prescribed use of property is about RMB65,000 in aggregate.

The Directors are of the view that the above properties are not crucial to our business operations in terms of usage, revenue and profit contributions after taking into account the following facts: (i) with respect to the leased properties which we have not been provided the title ownership certificates, about 230 sq.m. are used for Retail Store space which contributed to less than 2% of our total revenue during the Track Record Period and the rest are used as offices and warehouses which the Directors have assessed the estimated time, costs and loss of profit in the event of forced relocation which the Directors consider immaterial; (ii) with respect to those leased properties used for Retail Stores, warehouses and offices where the applicable lease agreements have not been registered with the relevant PRC authorities, the PRC Legal Advisor has advised that the lack of registration of such lease agreements will not affect the validity and the

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enforceability of these lease agreements under the relevant PRC laws and regulations and the maximum penalties for non-registration of these lease agreements, if imposed on us as the tenant, is about RMB100,000 in the aggregate which we consider immaterial to our results of operations; and (iii) with respect to those certain residential properties that are used for commercial purposes, we use them as offices and they did not contribute to our revenue and profit during the Track Record Period. According to the PRC Legal Advisor, the maximum penalties in this regard will amount to approximately RMB65,000, which we consider immaterial to our results of operations. In the event of forced relocation, the Directors believe that comparable properties permitted to be used as offices can be located at comparable rates within a relatively short period of time.

In the event we are required to relocate from the above-mentioned leased properties, we may incur relevant costs relating to such relocation and experience business interruption. The estimated time for the relocation of any of these leased properties is a period ranging from fifteen to one-hundred days and the estimated cost for the relocation of these leased properties is approximately RMB130,000 in aggregate. Further, the relocation of the Retail Stores in Nanning may incur an estimated loss of profits of approximately RMB1,549,000 if calculated based on the average monthly profit generated by these Retail Stores in 2009. In addition, we may not be able to find suitable alternative premises for our Retail Store operation and our business may be adversely affected if we relocate to a less desirable location.

In order to prevent re-occurrence of similar events in the future, we will adopt the following measures: (i) in respect of properties which comparable substitutes are readily available (e.g., office building, warehouses), we shall lease from individuals or corporations with valid property title certificates; (ii) in respect of properties which comparable substitutes are not readily available (e.g., shops in particular shopping malls/department stores), we will assess the potential exposure to title risk when considering whether to lease properties in reputable shopping malls, which can contribute to higher profit levels for our products; and (iii) we will seek to impose an obligation on the landlord to register the lease agreement whenever the Group enters into any new lease agreement in the future.

LEGAL COMPLIANCE AND PROCEEDINGS

As advised by the PRC Legal Advisor, the Company's PRC subsidiaries, namely Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing are required by relevant PRC regulations to register with the competent housing provident fund management center and make contributions to the housing provident funds for their employees. As mentioned in the PRC legal opinion of the PRC Legal Advisor, Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing did not make such contributions during the Track Record Period. The Directors confirmed that they had not been requested by the local authority to register and contribute to the housing provident fund and repay any outstanding housing provident fund for their employees and none of their employees had requested them to register and contribute to the housing provident fund. The outstanding housing provident fund contribution of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing up to 31 December 2009 was in aggregate approximately RMB1.63 million. In the event that penalty is imposed on

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Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing, the PRC Legal Advisor has advised that the maximum penalty will be up to RMB150,000 according to the Housing Provident Funds Management Regulations. Up to the Latest Practicable Date, no administrative actions were taken or are pending or threatened by or against Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing by the relevant PRC government authorities in relation to the above. Contributions have been made by the relevant PRC subsidiaries of the Company in compliance with the relevant PRC regulations since March 2010.

Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing had not been requested by the local authority to register and contribute to the housing provident fund for their employees or repay any outstanding housing provident fund. Even if the relevant PRC government authority requests repayment of the outstanding housing provident fund contribution and imposes penalty on the relevant PRC subsidiaries of the Company, the Directors are of the view that the amount of such outstanding housing provident fund contribution and penalty is immaterial and would not have any material financial or operational impact on our business.

As at the Latest Practicable Date, we were party to four pending lawsuits, three of which are labor disputes with our employees involving amounts in dispute of approximately RMB895,000 in aggregate, and the fourth is a contract dispute with one of our distributors, involving an amount in dispute of approximately RMB420,000. The Directors are of the view that these four pending lawsuits are not unusual within the industry we operate and further believe that they are immaterial to our results of business operations and financial condition. During the Track Record Period, we paid or provided to our employees the appropriate staff benefits and compensation in accordance with the terms and conditions of applicable employment contracts and our staff policy. The lawsuits with our employees were due to the employees' different understandings and interpretations of their entitlements and amounts due under the applicable contracts. The Reporting Accountants have confirmed that they concur with the Directors' assessment about the adequacy of the provision made for the above-mentioned lawsuits for the six months period ended 30 June 2010.

As at the Latest Practicable Date, except as disclosed above, we were not engaged in, nor a party to, any material arbitration, litigation or administrative proceedings, and the Directors were not aware of any pending or threatened arbitration, litigation or administrative proceedings against us, which could be expected to have a material adverse effect on our business operations or financial positions. The PRC Legal Advisor, has confirmed that we have obtained all licenses, permits and certificates, and we have in all material respects complied with all relevant rules and regulations in the PRC which are necessary to conduct our business operations in the PRC as at the Latest Practicable Date.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

INDEPENDENCE OF THE GROUP FROM THE CONTROLLING SHAREHOLDERS

The Controlling Shareholders, being Pacific Success and Mr. Chan, are interested and deemed to be interested in a total of 60.74% of the issued share capital of the Company upon completion of [●] and the Conversion.

Management Independence

We have our own management team with substantial experience and expertise in the high-end menswear industry, and, save as disclosed in this document, independent from the Controlling Shareholders or their respective associates.

The principal business of Pacific Success is investment holding. Set out below are the private companies or businesses owned by Mr. Chan and their respective business nature:

Name of company or business	Nature of business
Evergreen Trading Company	Footwear trading business and was closed down since 15 September 2004
Pacific Success	Investment holding
Honour Focus (Far East) Development Limited	Has not engaged in any business activity since its incorporation
Marvel Trend Ltd.	Has not engaged in any business activity since its incorporation
New Trend	Previously held the trademarks for our Group but has not engaged in any business activity since all of the Group's trademarks were transferred to Richwood
Mega Power (Asia) Investment Co. Limited	Has not engaged in any business activity since its incorporation
Multi Shine Group Inc.	Has not engaged in any business activity other than investment in Marvel Trend Ltd.
New Asia (China) Limited	Previously engaged in the distribution of golf products but has not engaged in any business activity since 2005

Except as disclosed above, Mr. Chan does not have any other private businesses. None of the above companies or businesses competes with our business.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The Directors are satisfied that we can manage our business independently of the Controlling Shareholders and their respective associates particularly with respect to the following factors:

(a) *Board structure*

Upon [●], the Board comprises six Directors, among them three are independent non-executive Directors who have extensive experience in different areas or professionals and were appointed pursuant to the requirements under the [●] to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

The Directors believe that the presence of Directors from different background provides a balance of opinions. Further, the Board acts collectively by majority decisions in accordance with the Articles of Association and the laws, and no single Director is supposed to make any material decision unless authorized by the Board.

(b) *Disclosure of interest*

According to the Articles of Association, if any Director is in any way, directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company ("**Interested Director**"), he will declare the nature of his interest to the Board at his earliest convenience.

In addition, such Interested Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving such contract or arrangement or other proposal in which he or any of his associates is to his knowledge materially interested except in certain circumstances as set out in the Articles as summarised in Appendix V to this document.

However, as a matter of good corporate governance practice, an Interested Director shall abstain from attending any Board meeting, or the relevant part of the meeting, at which matter(s) in which he has a material interest is (are) discussed, unless he is specifically requested to attend or to remain in the meeting by the Directors who have no interest in such matter(s).

(c) *Participation in Board meeting and voting therein*

According to the Articles of Association, each Director is entitled to one vote in meetings of the Board and a simple majority is required to approve any business considered therein.

(d) *Participation in general meeting and voting therein*

The Articles of Association do not impose any restriction on Shareholders to attend general meetings of the Company nor to vote on any resolution proposed therein; however, where the Company has knowledge that any Shareholder, under the [●], is required to abstain from voting on any particular resolution of the

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

Any transaction between us and the Controlling Shareholders shall be governed by [●], which provides that certain categories of connected transactions shall be subject to independent Shareholders' approval.

Pacific Success, as a Shareholder, has the right to attend any general meeting of the Company through its authorized representative. However, it shall not vote on any resolution proposed at a general meeting in approving any contract or arrangement or other proposal in which it or Mr. Chan has any material interest when independent Shareholders' approval is required under [●].

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in the Company after the [●], the Board has full rights to make all decisions on, and to carry out, our business operations independently. Although Mr. Chan, being one of the Controlling Shareholders of the Company, is an executive Director, the Company has its own management team, of which most members are independent of the Controlling Shareholders, have served the Company or its subsidiaries for a substantial period of time and have substantial experience in the industry in which the Company is engaged to implement our policies and strategies.

We operate independently from the Controlling Shareholders and their respective associates as (a) we have established our business independent of that of the Controlling Shareholders; and (b) the business nature of each of the Controlling Shareholders is distinct from the nature of our business.

We design, source, manufacture and sell high quality business and casual apparel for men. We have our own design and product development team, and are able to design and offer our customers stylish, high-end designs for all seasons under our *V.E. DELURE* and *TESTANTIN* brands. We have independent access to production materials and other supplies for our own production, and independent access to outsourced manufacturers to outsource our production. None of the Controlling Shareholders is a supplier or intermediary for our supplies, nor is one of our outsourced manufacturers. Our products are sold across an extensive distribution network in the PRC and, save for the Chan Brothers' involvement in our management and operation, in their capacity as Directors, we have independent access to our customers.

We have registered, or are in the process of applying for the registration of, trademarks, which are relevant to our operation, particulars of which are set out under the section headed "Further information about the Company – Intellectual property rights" in Appendix VI to this document.

No services, premises and facilities will be provided to us by the Controlling Shareholders and/or their associates.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Having considered the above, the Directors are satisfied that our business is independent from the business or investment of the Controlling Shareholders and there is no competition between the parties. As such, the Directors [●] are satisfied that we can operate independently of the Controlling Shareholders and their respective associates. None of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Financial Independence

During the Track Record Period, Mr. Chan provided guarantees in the amount of approximately RMB5.9 million and RMB4.1 million in 2007 and 2008 respectively in favour of the Group. He did not provide any guarantee to the Group in 2009. Save as disclosed in this document, his associates did not provide any guarantees to the Group during the Track Record Period. During the Track Record Period, Mr. Chan and his associates had not made any loan/advance to the Group. The Directors confirmed that all non-trade balances with Mr. Chan and his associates will be fully settled before the [●]. For details of guarantees provided by related parties for the benefit of the Group, please refer to note 29 "Operating Lease Arrangements" to the Accountants' Report set out in Appendix I to this document.

We have our own accounting and finance department and independent financial system and make financial decisions according to our own business need. We also have our own treasury function and independent access to third party financing. The Directors confirm that as at the Latest Practicable Date, we were not indebted to any of the Controlling Shareholders. Therefore, upon [●], there will be no financial dependence on the Controlling Shareholders or any of their respective associates.

DEED OF NON-COMPETITION

For the purpose of [●], each of the Controlling Shareholders has entered into the Deed of Non-Competition in favor of the Company (for its own and on behalf of all members of the Group), pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally, undertakes and covenants with the Company that with effect from [●] he/it, individually or collectively with any other Controlling Shareholder, is, directly or indirectly, interested in 30% or more of the Shares in issue, or is otherwise regarded as a controlling shareholder (as defined under [●] from time to time) of the Company, each of the Controlling Shareholders shall not, and shall procure that none of his/its associates (for the purpose of the Deed of Non-Competition, shall have the meaning as defined under [●], but excluding the Group) ("Associates") shall:-

- (a) directly or indirectly (other than through the Group) engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with our existing business activity and any business activities undertaken by us from time to time (the "**Restricted Business**") except for the holding of not more than 5% shareholding interests (individually or any of the Controlling Shareholders with their associates collectively) in any listed company in Hong Kong, provided that (i) at all times there is a holder holding (together where

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appropriate, with its Associates) a larger percentage of the shares in such listed company than the aggregate shareholding of him/it and/or his/its Associates in such listed company; and (ii) the aggregate number of his/its representative on the board of directors of such listed company is not significantly disproportionate to the percentage of his/its shareholding in such listed company;

- (b) take any direct or indirect action which constitutes an interference with or a disruption to the Restricted Business including, but not limited to, solicitation of our customers, suppliers or staff; and
- (c) exploit his/its knowledge or information obtained from the Group to compete, directly or indirectly, with the business carried on by the Group from time to time.

In addition, each of the Controlling Shareholders, irrevocably and unconditionally, undertakes that if he/it, or his/its Associates, receive enquiries of or any actual or potential business opportunity relating to any of our products and/or services or the Restricted Business (the "**Business Opportunity**") is made available to him/it or his/its Associate, he/it shall direct or procure the relevant Associate to direct such Business Opportunity to us (and not to any other person) on a timely basis but in any event no later than two weeks from the date of receipt of such enquiry or knowledge of such Business Opportunity together with such required information to enable the Group to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholder shall provide, or procure the relevant Associate to provide, us with all such assistance to secure such Business Opportunity as the Company or the relevant member of the Group may reasonably require.

The Controlling Shareholders further undertakes irrevocably and unconditionally that they shall not pursue and shall procure that none of their relevant Associate shall pursue a Business Opportunity unless we decide not to pursue such Business Opportunity, except for cases where a Controlling Shareholder's ownership of shares in a listed company is as set out in the exception mentioned in paragraph (a) above. Any decision of the Group as to whether to pursue such Business Opportunity shall have to be approved by the independent non-executive Directors. For the avoidance of doubt, we shall not be required to pay any fees to any of the Controlling Shareholders and/or their relevant Associates in relation to the direction of such Business Opportunity.

Each of the Controlling Shareholders further, irrevocably and unconditionally, undertakes that he/it will provide to the Company all information necessary for the enforcement of the undertakings or covenants in the Deed of Non-Competition.

Each of the Controlling Shareholders also represents and warrants that neither he/it nor any of his/its Controlled Companies is currently carrying on or engaging in, directly or indirectly, any business that competes or may compete with us.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The Deed of Non-Competition also provides that:

- (i) the Controlling Shareholders shall provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (ii) the Controlling Shareholders shall make declaration(s) on compliance with the Deed of Non-Competition in accordance with the requirements under [●]; and
- (iii) the Controlling Shareholders shall abstain from voting at any general meeting of the Company if there is any actual or potential conflict of interests.

The independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by the Controlling Shareholders and their respective Associates, the options, pre-emptive rights or first rights of refusal (if any) provided by the Controlling Shareholders and their respective Associates on their existing or future competing businesses. As and when appropriate, the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the undertaking (for example, the exercise of options or first rights of refusal) either through the annual report, or by way of announcements to the public.

The Deed of Non-Competition will cease to have effect on a Controlling Shareholder on the earliest of the date on which such Controlling Shareholder, individually or collectively with any other Controlling Shareholder(s) ceases to be interested, directly or indirectly, in 30% or more of the Shares in issue, or otherwise ceases to be regarded as a controlling shareholder (as that term is defined from time to time under [●]) of the Company or [●].

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

The Board consists of 6 members, of whom three are independent non-executive Directors. The table below sets forth certain information of the Directors:

Name	Age	Position
Mr. CHAN Yuk Ming	42	Chairman and executive Director
Mr. CHEN Yunan	41	Executive Director
Mr. CHEN Minwen	34	Executive Director
Mr. FONG Wo Felix	60	Independent non-executive Director
Dr. KO Wing Man	53	Independent non-executive Director
Mr. Kwok Chi Sun, Vincent	48	Independent non-executive Director

Executive Directors

Mr. CHAN Yuk Ming, aged 42, is the chairman and one of the executive Directors and is the brother of Mr. Chen Yunan and Mr. Chen Minwen. Mr. Chan was designated as an executive Director and the Chairman of the Board on 18 July 2008 and is also a director of each of Sunsonics, Richwood, Evergreen International, Evergreen Asia, Master (HK), Evergreen Guangdong and the general manager of VEDS. He is primarily responsible for our overall strategies, planning and business development. Mr. Chan graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a Degree of Bachelor of Arts in Public and Social Administration in 1993. Mr. Chan acquired Evergreen Asia (which was formerly known as Hanbon (Hong Kong) Limited) in 1998 after he left his post of administration officer in Shun Hing Electronic Trading Co., Ltd. Mr. Chan will allocate substantially all of his time and resources to our business.

Mr. CHEN Yunan, aged 41, is one of the executive Directors and is the brother of Mr. Chan and Mr. Chen Minwen. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing. He is primarily responsible for our general management and production planning. Mr. Chen has been studying part time Executive Master of Business Administration (EMBA) at the Lingnan (University) College, Sun Yat-Sen University since 2009. Mr. Chen was involved in the business operations of Evergreen Guangdong of which he is currently the general manager. Mr. Chen will allocate substantially all of his time and resources to our business.

Mr. CHEN Minwen, aged 34, is one of the executive Directors and is the brother of Mr. Chan and Mr. Chen Yunan. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing. He is primarily responsible for our sales and marketing promotion and public relations and activities. Mr. Chen was appointed as director of Evergreen Guangdong. Mr. Chen will allocate substantially all of his time and resources to our business.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent Non-executive Directors

Mr. FONG Wo, Felix, BBS, JP, aged 60, was appointed as an independent non-executive Director of the Company on 8 October 2010. Mr. Fong was the founding partner of Arculli Fong & Ng (now renamed as King & Wood) and is a consultant of King & Wood. Mr. Fong received his engineering degree in Canada in 1974 and his law degree from Osgoode Hall Law School in Toronto in 1978.

Mr. Fong is a member of the law societies of Hong Kong and England, and had been honorary legal counsels of a number of non-profit organizations in Hong Kong such as The Chinese Manufacturers' Association of Hong Kong.

Mr. Fong is currently one of the China-appointed Attesting Officers in Hong Kong appointed by the Ministry of Justice of China. Mr. Fong undertook a number of community and social roles, such as the former Chairman of the Chinese Canadian Association of Hong Kong, Chairman of the Advisory Council on Food and Environmental Hygiene, chairman of the Liquor Licensing Board, a member of the Hong Kong Town Planning Board and a member of the Hong Kong Film Development Council. He is also a director of the Hong Kong Basic Law Institute Limited, a member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference and a director of China Overseas Friendship Association. In the area of education, Mr. Fong is a founding member and the first director of the Canadian International School of Hong Kong, and an advisor to the Faculty of Business of University of Victoria in Canada.

Currently, Mr. Fong is an independent non-executive director of a number of listed companies, namely Kingway Brewery Holdings Limited and SPG Land (Holdings) Limited, whose stocks are listed on the Hong Kong Stock Exchange, and also China Oilfield Services Limited, whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

Mr. Fong is a Justice of Peace and was awarded a Bronze Bauhinia Star by the Government of Hong Kong in recognition of his public service.

Dr. KO Wing Man, BBS, JP, aged 53, was appointed as an independent non-executive Director of the Company on 8 October 2010. Dr. Ko was formerly the Director (Professional Services and Human Resources) of the Hospital Authority. He obtained his Bachelor of Medicine and Bachelor of Surgery degree from the University of Hong Kong and is a fellow of the Royal College of Surgeons of Edinburgh, the Hong Kong Academy of Medicine in the speciality of Orthopaedic Surgery, and the Hong Kong College of Orthopaedic Surgeons. Dr. Ko also serves as a committee member, advisor and director of a number of public services organizations.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Currently, Dr. Ko is a director of Hong Kong Red Cross and is the chairman of its Health & Care Service Management Committee. He is also the chairman of The Hong Kong Anti-Cancer Society and ECO Foundation. He currently serves as a council member in Hong Kong Baptist University, and had been the president of the Hong Kong Association for Integration of Chinese-Western Medicine. He also holds memberships in the Election Committee of HKSAR, Medical Subsector and Land and Development Advisory Committee. Dr. Ko had also served as a member of the Commission on Strategic Development, HKSAR.

Currently, Dr. Ko is also an independent non-executive director of Asia Financial Holdings Ltd., a company whose shares are listed on the Hong Kong Stock Exchange and he is also an independent non-executive director of Asia Insurance Company, Limited.

Mr. KWOK Chi Sun, Vincent, aged 48, was appointed as an independent non-executive Director of the Company on 8 October 2010. Mr. KWOK is the sole proprietor of Vincent Kwok & Co., Certified Public Accountants. He holds a Bachelor's Degree in Economics from University of Sydney. Mr. Kwok is a Certified Public Accountant (Practising) and a member of both the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in Australia. Mr. Kwok has more than 23 years of experience in auditing, due diligence review and being the tax representative for tax filing and investigation cases for numerous companies. Mr. Kwok was previously employed by Price Waterhouse (now known as PricewaterhouseCoopers) from 1989 to 1995 as its senior audit manager and was also employed by Hopewell Holdings Limited from 1995 to 1996 and Cathay Pacific Airways Limited from 1996 to 1997 as their internal audit manager.

Currently, Mr. Kwok is also an independent non-executive director and chairman of the audit committee of the following listed companies in Hong Kong, namely, Palmpay China (Holdings) Limited, China Digital Licensing (Group) Limited, Emperor Capital Group Limited, Magnificent Estates Limited, Shun Ho Resources Holdings Limited and Shun Ho Technology Holdings Limited.

Each of the independent non-executive Directors confirms that he will allocate sufficient time and resources to our business.

Save as disclosed, none of the Directors is interested in any business, apart from the Group's business, which competes or is likely to compete with the Group's business as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. LI Chi Fai, aged 44, is the chief financial officer of the Group. He joined the Group in July 2010 and is responsible for the Group's financial reporting, financial management and relations. Mr. Li holds a Bachelor of Economics Degree from Monash University, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and Australian Society of Certified Practising Accountants. He has more than ten years of experience in financial auditing and accounting. Prior to joining the Group, Mr. Li had been the chief financial officer and company secretary of listed companies including China Kangda Food Company Limited and First Natural Food Holdings Limited.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. CHEN Hong, aged 38, is the general vice manager of Guangzhou Changyue. Mr. Chen joined us in 2010. Mr. Chen graduated from Beijing Union University with a bachelor of textile engineering degree in 1995 and Capital University of Economics and Business with a master of business administration degree in 2001. Mr. Chen has been engaged in the garment industry for about 15 years and has experience in production, purchasing, merchandising planning and management of sales operation. Prior to joining us, he had worked in the sales and marketing department in various companies such as Beijing Snow Lotus garment manufacturing company, Beijing TM trading Co., Ltd, and Beijing VICUTU garments Co., Ltd.

Ms. ZENG Shu Juan, aged 37, is our financial controller (PRC). She joined us in 2008. Ms. Zeng graduated from Hunan College of Finance and Economics with a bachelor of finance degree in 1993 and a bachelor of accounting degree in 1995 and holds a master's degree in business administration awarded by the Open University of Hong Kong in 2005. She is a member of the Association of International Accountants and the Association of Registered Chartered Analysts. Ms. Zeng has experience in financial and accounting management, as well as ERP of private enterprises. She has about sixteen years of experience in the financial affairs management and had worked in various private enterprises such as Foshan City Nanhai China Resources Ying Tu Arts & Crafts Ltd., Lange science and technology limited company, NanHai Wei Hong Model Produce Ltd., Modern furniture factory of Wugang City and Park green station of Wugang City before joining us.

Mr. YANG Qing, aged 40, is the manager of our finance department in the PRC. Mr. Yang joined us in 2000. He graduated from the College of Trade and Finance in Anhui after passing the relevant professional examinations in accounting in 1996 and was awarded a professional qualification in accounting by the Ministry of Finance of the PRC in 2004. He has about 20 years of experience in the field of accounting and finance with experience in handling finance, accounting and taxation matters and in operating the finance-related software products and computerized systems.

Ms. CHEN Yan Xia, aged 29, is the assistant to our general manager. She joined us in 2000 and was transferred to the current position in 2006. She assists the directors in managing our Retail Stores and distributors and is frequently involved in the liaison with department stores in the PRC. She has about 10 years of experience in terminal store sales and management. She is a daughter of a cousin of the Chan Brothers.

Ms. ZHANG Qiao Ling, aged 35, is our purchasing deputy manager. Ms. Zhang joined us in 2001 as the head of the development department and was formally transferred to the purchasing department and promoted to the position of purchasing manager in 2007. Ms. Zhang graduated with fashion design qualifications from Jianxi Garments Institute in 1997. She has over 8 years of experience in clothing design including the process of clothing production and management.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. LIU Shao Qing, aged 35, is our chief designer. Mr. Liu joined us in 2004 as a designer and was promoted to chief designer in 2006. He graduated with qualifications in fashion design in 2000, and has been engaging in the fashion industry for over 6 years. He has over 6 years of experience in the processes of design, pattern-making, garment production and has related working experience.

JOINT COMPANY SECRETARIES

Ms. KWOK Yu Ching, aged 45, has been a joint company secretary of the Company since 8 October 2010. She is a Director of Corporate Services Division of Tricor Services Limited. Ms. Kwok, Chartered Secretary, is an Associate of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators ("ICSA"). She is also a holder of Practitioner's Endorsement Certificate of HKICS. Ms. Kwok has been providing professional services to companies listed on the Hong Kong Stock Exchange for over 20 years. She is a company secretary of Wynn Macau, Limited. Prior to joining Tricor Services Limited in 2002, Ms. Kwok was the Senior Manager of Company Secretarial Services of Tengis Limited in Hong Kong, which was a wholly-owned service company of Ernst & Young at the time.

Ms. CHAN Sau Ling, aged 40, has been a joint company secretary of the Company since 8 October 2010. She is a Manager of Corporate Services Division of Tricor Services Limited. Ms. Chan, Chartered Secretary, is an Associate of both HKICS and ICSA. She is also a holder of Practitioner's Endorsement Certificate of HKICS. Ms. Chan has been providing professional services to companies listed on the Hong Kong Stock Exchange for over 10 years. Prior to joining Tricor Services Limited in 2002, Ms. Chan worked in the Company Secretarial Services at Tengis Limited in Hong Kong.

DIRECTORS' REMUNERATION

We reimburse the Directors for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to its operations. The executive Directors are also employees and receive, in their capacity as employees, compensation in the form of salaries and other allowances and benefits in kind.

During the Track Record Period, the aggregate amount of salaries and other allowances and benefits in kind paid to the Directors was about RMB581,000, RMB894,000, RMB1,013,000 and RMB542,000, respectively.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding management bonuses, payable to the Directors for the year ending 31 December 2010 to be about HK\$1.7 million.

Each of the executive Directors is entitled to a year end bonus of such amount to be determined by the remuneration committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Further details of the terms of the above service agreements are set out in the section headed "Disclosure of Interests — Particulars of service agreements" in Appendix VI to this document.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee on 8 October 2010. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal control system and to provide advice and comments to the Board. The Audit Committee consists of three members who are all independent non-executive Directors and Mr. Kwok Chi Sun, Vincent was appointed as the chairman of the Audit Committee.

Remuneration Committee

The Company established a remuneration committee on 8 October 2010. The remuneration committee comprises three members, namely, Mr. Fong Wo, Felix, Dr. Ko Wing Man and Mr. Kwok Chi Sun, Vincent. The remuneration committee considers and recommends to the Board the remuneration and other benefits paid to the Directors. The remuneration of the Directors is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate.

Nomination Committee

The Company established a nomination committee on 8 October 2010. The nomination committee comprises three members, namely, Mr. Fong Wo, Felix, Dr. Ko Wing Man and Mr. Kwok Chi Sun, Vincent. The nomination committee considers and recommends to the Board on the appointment of executive Directors and senior management staff.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

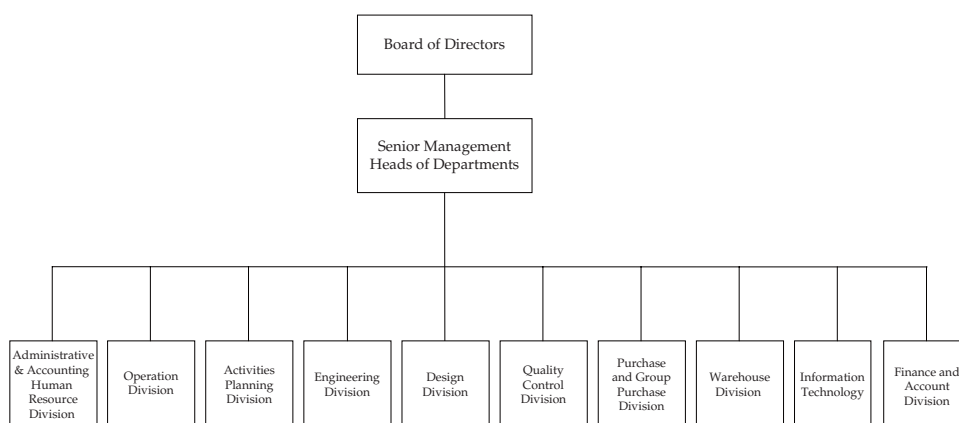
Overview

As at the Latest Practicable Date, the Company had 702 full-time employees. An analysis by function as at the Latest Practicable Date is as follows:

	Number of Employees		
	Hong Kong	PRC	Total
Executive Directors	3	–	3
Administration and Human Resources	3	18	21
Operation	3	33	36
Activities Planning	–	4	4
Engineering	–	9	9
Design	–	14	14
Quality Control	–	14	14
Purchasing	–	9	9
Warehouse	–	33	33
Information Technology	–	3	3
Finance & Account	3	22	25
Factory	–	70	70
Retail Stores	14	447	461
	26	676	702
Total:	26	676	702

MANAGEMENT STRUCTURE

The following chart sets forth our simplified management structure:



DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Relationship with employees

The Directors consider us to have maintained good working relationships with our employees. We have not experienced any strikes, work stoppages or material labor disputes which affected our operations.

Staff benefits

In Hong Kong, we operate a defined contribution retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong who joined us after the commencement of this Ordinance. Contributions are made based on a percentage of the employees' basic salaries and are charged to our profit and loss account as they become payable in accordance with the rules of the MPF Scheme. Our contributions as employer vest fully with the employees when we contribute to the scheme in accordance with the rules of the MPF Scheme. We contribute the lower of HK\$1,000 or 5% of the relevant monthly salary to the MPF Scheme, a contribution to be matched by employees.

In China, we participate in the relevant social insurance contribution plans organized by the relevant local governmental bodies in Guangzhou. In accordance with relevant PRC laws, the members of the Group in China are required to pay their relevant employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, personal injury and maternity (where applicable).

Share Option Scheme

The Directors (including independent non-executive Directors) and employees are entitled to participate in the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in the section headed "Share Option Scheme" in Appendix VI to this document.

SHARE CAPITAL

The authorized and issued share capital of the Company is as follows:

(HK\$)

Number of Authorized Shares:

10,000,000,000 Shares

10,000,000

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

SUBSTANTIAL SHAREHOLDERS

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FINANCIAL INFORMATION

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

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

OVERVIEW

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

We have established a nationwide retail network in the PRC. According to the Frost & Sullivan Report, our **V.E. DELURE** brand ranked second in terms of the number of retail stores among the top ten high-end business formal and casual menswear brands ranked by retail revenue in the PRC as at each of 31 December 2008 and 2009 and 30 June 2010. As at 31 December 2007, 2008 and 2009 and 30 June 2010, we had 167, 242, 259 and 268 Retail Stores, respectively, of which 120 sold products under the **V.E. DELURE**

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brand and 47 sold products under the *TESTANTIN* brand in 2007, 184 sold products under the *V.E. DELURE* brand and 58 sold products under the *TESTANTIN* brand in 2008, 197 sold products under the *V.E. DELURE* brand and 62 sold products under the *TESTANTIN* brand in 2009 and 202 sold products under the *V.E. DELURE* brand and 66 sold products under the *TESTANTIN* brand as at 30 June 2010. As at 31 December 2007, 2008 and 2009 and 30 June 2010, we had 60, 101, 90 and 88 distributors, respectively (out of which 3, 11, 9 and 9 operated both *V.E. DELURE* and *TESTANTIN* Stores respectively), and 6, 6, 7 and 7 sub-distributors, respectively. The growth in the number of our Retail Stores slowed down in 2009 primarily due to our decision to consolidate our position in 2009 rather than pursuing a more active expansion path in light of the global economic crisis. In particular, for our *V.E. DELURE* brand, we focused on increasing self-operated Retail Stores in 2009 as opposed to distributor-operated Stores.

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

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

As at 30 June 2010, out of our 202 *V.E. DELURE* Stores, 71 were operated by us and 131 were operated by our distributors. Out of our 66 *TESTANTIN* Stores, 13 were operated by us, 53 were operated by distributors (where eight of which were operated by one distributor through its sub-distributors). As at 30 June 2010, over 80% of the Retail Stores directly operated by us are located in tier one and tier two cities in the PRC, such as Beijing, Shanghai, Tianjin, Changchun, Xi'an, Nanjing, Shenzhen and Guangzhou, and in Hong Kong. In 2008 and 2009 and the six months ended 30 June 2010, sales generated by our self-operated Stores for our *V.E. DELURE* and *TESTANTIN* products accounted for approximately 34.8%, 38.8% and 41.0% of our total sales, respectively. Most of our self-operated Stores are operated under the following type of arrangement. We enter into cooperation agreements or lease agreements with department stores and shopping malls, which govern the operation of our self-operated Stores, in particular, the collection of sales proceeds. Generally, the department stores and shopping malls charge a fixed fee or

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a percentage of the sales turnover of our Stores as commission subject to an agreed monthly or annual minimum commission amount determined based on an agreed minimum turnover target of the relevant Store. For further details on the material terms of these cooperation agreements or lease agreements, please refer to the section headed "Business – Sales and Distribution – I. Self-operated Stores" in this document. On the other hand, our distributorship agreements set out terms with respect to geographic exclusivity, duration, product exclusivity, pricing and discount, use of the our brand names and store design, among other terms. For further details on the major terms of our distributorship agreements, please refer to the section headed "Business – Sales and Distribution – II. Distribution by distributors/sub-distributors – Major terms of the distributorship agreements" in this document.

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

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

BASIS OF PRESENTATION

The Company is a limited liability company incorporated in the Cayman Islands on 26 June 2008. The initial authorized share capital of the Company was US\$50,000.00 divided into 50,000 shares of US\$1 each. It became our holding company as a result of the Reorganization as described in the section headed "Statutory and General Information – I. Further Information about the Company – 4. Corporate reorganization" to this document. Prior to the incorporation of the Company, our menswear businesses were carried out by the subsidiaries, of which we are now comprised and which were and are controlled by Mr. Chan. Accordingly, our financial information prior to the completion of the Reorganization as set out in Appendix I "Accountants' Report" to this document has been prepared on a combined basis by applying the principles of the pooling-of-interests method. Please refer to note 2 "Basis of Presentation and Preparation" to the Accountants' Report set out in Appendix I to this document for further description of such basis. The financial information of subsidiaries acquired or disposed of by us during the Track Record Period is accounted for from or to their effective dates of acquisition or disposal.

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

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

Economic growth in the PRC

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

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Urbanization in the PRC

In the 1980s, China developed a blueprint to build a moderately-prosperous nation by the beginning of the 21st century, which depicted a moderately developed modern society with overall improvement in the economy and people's living standards. Accelerating urbanization is one of the important features of China's modernization. Three decades have passed since China carried out its economic and social reform, which have brought an increasing number of cities and an urban population. The urbanization rate in China has gradually increased during the past years. China's urban population has risen since the 1990s. From 2006 to 2009, the level of urbanization in China increased from 43.9% to 46.6% according to Frost & Sullivan. Urbanization trends changed the mindset of urban residents considerably. As cities have grown, urban residents' income has steadily increased, offering a better living, working and investment environment. Urban cities have been at the center of the convergence of high-caliber talent and have become destinations for new ventures and investment. The inflow of talent and investments has boosted the development of China's cities, which in turn has increased the personal income of urban households. Our Directors believe that the increased purchasing power of the urban population has contributed to the growth of our business because our *V.E. DELURE* brand targets affluent and successful men between the ages of 35 to 50 and our *TESTANTIN* brand targets younger and more fashion conscious men between the ages of 25 to 40. Both of these population groups tend to have a concentration in urban cities where our Retail Stores are located. In 2009, the per capita annual disposable income of urban households was RMB17,175.0, up by 46.1% from 2006, with a CAGR of 13.5% according to Frost & Sullivan. Our Directors expect that our results of operations will continue to be significantly affected by the urbanization of the PRC. Any future slowdowns or declines in the PRC's urbanization may adversely affect our business and results of operations.

Pricing of our products and cost control measures

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

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

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

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

Retail network

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

Our ability to differentiate us from our competitors

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

Our ability to continuously maintain and enhance brand recognition & awareness

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

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

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

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

Cost of raw materials

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

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

Seasonality and weather

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

Purchase costs of outsourced products and external production arrangements

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

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Taxation

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

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

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

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

Income tax

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

Inventories

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

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

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Revenue recognition

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

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

Trade and other receivables

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

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

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

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

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

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

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Notes:

1. The sales of *TESTANTIN* products through *TESTANTIN* self-operated Stores decreased in the year ended 31 December 2009 primarily because we launched a series of promotional events at our *TESTANTIN* self-operated Stores in Hong Kong offering 10% to 60% discounts to customers in 2009 in response to the highly competitive retail market in Hong Kong and the generally difficult economic environment in Hong Kong as a result of the global economic crisis and the closing of two *TESTANTIN* stores in Hong Kong in late 2008. Our sales to *TESTANTIN* distributors increased in the year ended 31 December 2009 mainly because (i) the full year effect of our sales to certain distributors in 2009 appointed in 2008 that did not operate through Retail Stores; (ii) the full-year effect in 2009 arising from the 15 newly-opened *TESTANTIN* Stores operated by the distributors located in the PRC in 2008; and (iii) the number of *TESTANTIN* Stores operated by the distributors located in the PRC increased from 47 as at 31 December 2008 to 51 as at 31 December 2009. The four newly-opened Stores in 2009 were opened in the second half of 2009 when the economic conditions after the financial crisis began to improve.
2. From August 2004 to August 2009, we acted as the sole distributor for an Italian menswear brand, Harmont & Blaine, in the PRC. The distributorship agreement for the Harmont & Blaine brand expired in August 2009. According to the distributorship agreement, we had nine months to sell the remaining stocks after the agreement was terminated. Beginning in early 2008, we started to act as an authorized dealer of CARTIER accessories which are sold in two CARTIER Stores, one in Fuzhou and the other in Nanning, both of which are operated by us. In September 2010, we opened our third CARTIER Store in Xiamen.
3. Our customers consisted of end customers and distributor customers. Our end customers include retail customers that purchased products directly from us through our self-operated Stores and corporate customers that purchased large volume made-to-order products directly from us through our corporate sales. Our distributor customers purchased products from us and then sell to the end customers.

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

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

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

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

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

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Note:

- (1) Apparel products include, among others, suits, jackets, pants, coats, shirts and polo-shirts.
- (2) Accessory products include, among others, ties, cuff-links and pens.

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

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

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

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

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

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

Note:

For purposes of this document:

Central PRC represents Henan, Hubei, Hunan, Jiangxi

Eastern PRC represents Anhui, Jiangsu, Shanghai and Zhejiang

North Eastern PRC represents Heilongjiang, Jilin and Liaoning

North Western PRC represents Inner Mongolia, Ningxia, Qinghai, Shaanxi and Xinjiang

Northern PRC represents Beijing, Hebei, Shandong, Shanxi and Tianjin

Southern PRC represents Fujian, Guangdong and Guangxi

South Western PRC represents Guizhou, Sichuan, Yunnan and Chongqing

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

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

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

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

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

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

* as compared to 2008

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

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

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

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

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Notes:

- 1 The per store-average monthly revenue by brand and sales channel for each of the three years ended 31 December 2007, 2008 and 2009 was one-twelfth of the fraction calculated using the revenue by brand and sales channel for each of the three years ended 31 December 2007, 2008 and 2009, as the numerator, and the average number of Stores which equals to the average of the sum of the number of Stores at the beginning of the year and the number of Stores at the end of the year for each of the years indicated above, as the denominator. The per store-average monthly revenue by brand and sales channel for the six months ended 30 June 2010 was one-sixth of the fraction calculated using the revenue by brand and sales channel for the six months ended 30 June 2010, as the numerator, and the average number of Stores which equals to the average of the sum of the number of Stores at the beginning of 2010 and the number of Stores as at 30 June 2010, as the denominator. Please refer to the "Business" section in this document for further information of our revenue for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 and the number of Stores as at 31 December 2007, 2008 and 2009 and 30 June 2010.
- 2 The per store-average monthly revenue in relation to Stores operated by us is based on the revenue generated from the self-operated Stores excluding the short-term sales and promotional outlets. For each of the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, the revenue from sales derived from short term sales and promotional outlets for our *V.E. DELURE* products and *TESTANTIN* products amounted to RMB0.7 million, RMB9.1 million, RMB18.1 million and RMB0.7million, and RMB1.3 million, RMB7.6 million, RMB4.5 million and RMB1.1 million, respectively.
- 3 The per store-average monthly revenue in relation to Stores operated by our distributors is based on revenue we received from our distributors (excluding multi-brand and other distributors) rather than retail revenue of our distributors. For each of the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, the revenue from sales derived from multi-brand and other distributors for our *V.E. DELURE* products and *TESTANTIN* products amounted to RMB0.5 million, RMB1.4 million, RMB1.9 million and RMB2.3 million, and RMB0.3 million, RMB6.9 million, RMB11.2 million and RMB1.3 million, respectively.
- 4 From August 2004 to August 2009, we acted as the sole distributor for an Italian menswear brand, Harmont & Blaine, in the PRC. The distributorship agreement for the Harmont & Blaine brand expired in August 2009. Beginning in early 2008, we started to act as an authorized dealer of CARTIER accessories sold in two CARTIER Stores, one in Fuzhou and the other in Nanning, both of which are operated by us. In September 2010, we opened our third CARTIER Store in Xiamen.
- 5 We did not have any Harmont & Blaine Store in 2010 since our distributorship agreement expired in August 2009 and was not renewed. According to the distributorship agreement, we had nine months to sell the remaining stocks after the agreement was terminated which accounted for some revenue in the six months ended 30 June 2010. Because we did not have any Harmont & Blaine Store at 30 June 2010, the formula set forth in note 1 above is not applicable.

The per store-monthly average revenue of our self-operated Stores under our own brands increased from RMB141.7 thousand in the year ended 31 December 2007 to RMB190.4 thousand in the year ended 31 December 2008 primarily due to (i) the increase in the per store-monthly average revenue of our *TESTANTIN* self-operated Stores, which in turn was as a result of a 36.0% increase in the revenue from our *TESTANTIN* self-operated Stores (excluding short-term sales and promotional outlets) of about RMB6.9 million in the year ended 31 December 2008 as compared to the increase in average number of these Stores from 10.5 in the year ended 31 December 2007 to 11.5 in the year ended 31 December 2008; and (ii) the increase in the per store-monthly average revenue of our *V.E. DELURE* self-operated Stores, which in turn was as a result of 95.8% increase in the revenue generated from these Stores (excluding short-term sales and promotional outlets) of about RMB36.9 million in the year ended 31 December 2008 as

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compared to a 40.4% increase in the average number of such Stores from 23.5 in the year ended 31 December 2007 to 33 in the year ended 31 December 2008. We believe the revenue increase of our existing self-operated Stores was largely due to increased recognition of our self-owned brands which allowed us to increase the average selling price of our self-owned brand products and overall increase in our sales volume, resulting in the increased per store-monthly average revenue in 2008.

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

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

Cost of sales

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

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

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

Gross profit and gross profit margin

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

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

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

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

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

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

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

Note:

For purposes of this document:

Central PRC represents Henan, Hubei, Hunan, Jiangxi

Eastern PRC represents Anhui, Jiangsu, Shanghai and Zhejiang

North Eastern PRC represents Heilongjiang, Jilin and Liaoning

North Western PRC represents Inner Mongolia, Ningxia, Qinghai, Shaanxi and Xinjiang

Northern PRC represents Beijing, Hebei, Shandong, Shanxi and Tianjin

Southern PRC represents Fujian, Guangdong and Guangxi

South Western PRC represents Guizhou, Sichuan, Yunnan and Chongqing

In general, the fluctuations in gross profit and gross profit margin of our products during the Track Record Period resulted from the changes in the overall selling prices of our products as a result of the increasing recognition of these two brands, especially the enhanced brand image of our **V.E. DELURE** brand in the PRC high-end menswear market which gave us a pricing advantage and the fluctuations in our cost of sales. Gross profit and gross profit margin of our products sold in different regions are also influenced by the proportion of revenues generated from different sales channels as our gross profit and gross profit margin of self-operated Stores are generally higher than those of Stores operated by distributors. The increase in gross profit margin of our **V.E.DELURE** brand apparel products from 54.5% in 2007 to 70.8% in the six months ended 30 June 2010 was primarily due to the increase in the overall selling prices as a result of the increased recognition of our **V.E.DELURE** brand in the PRC high-end menswear market and the increased proportion of our sales generated through our self-operated Stores which accounted for 26.6%, 35.3%, 45.6% and 44.0% of our total revenue from sales of **V.E.DELURE** brand products in the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. The gross profit margin of our **TESTANTIN** brand apparel products increased from 56.9% in 2007 to 63.3% in the six months ended 30 June 2010 but experienced a decrease from 62.2% in 2008 to 56.1% in 2009 mainly because we launched a series of promotional events at our **TESTANTIN** Stores in Hong Kong

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offering 10% to 60% discounts to customers to deal with the intensive competition in the retail market in Hong Kong and the difficult economic environment in Hong Kong as a result of the global financial crisis. The decrease in the gross profit margin of our *TESTANTIN* brand products in Central PRC from 48.4% in the six months ended 30 June 2009 to 32.9% in the six months ended 30 June 2010 was mainly due to the small revenue contribution of the region and a sales rebate deducted from a purchase order in 2010. The increase in the gross profit margin of our *V.E.DELURE* brand products in the Southern PRC from 51.4% in 2007 to 72.1% in the six months ended 30 June 2010 was mainly due to (i) the increase in the overall selling price as a result of increased recognition and enhanced brand image of our *V.E.DELURE* brand, (ii) the increased proportion of our sales generated through our self-operated Stores which accounted for 21.1%, 57.7%, 72.5% and 55.5% of our total revenue from sales of *V.E.DELURE* brand products in the Southern PRC in the years ended 2007, 2008, 2009 and the six months ended 30 June 2010, respectively, in line with our increased number of self-operated Stores in the region during the same period and (iii) the relatively strong sales performance of our Retail Stores in Southern PRC, especially our Retail Stores in Nanning, Guangxi Province. The increase in the gross profit margin of our *V.E.DELURE* brand products in the South Western PRC and North Western PRC from 51.1% in 2007 to 79.3% in the six months ended 30 June 2010 and from 47.9% in 2007 to 70.7% in the six months ended 30 June 2010, respectively, was mainly due to the increased proportion of our sales generated through self-operated Stores.

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

Other income

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

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Selling and distribution costs

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

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

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

Note:

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

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

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During the Track Record Period, concessionaire commissions paid to shopping malls and department stores amounted to 41.3%, 65.9%, 78.4% and 82.6% respectively, of the rental fees for Retail Stores for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. The increase was mainly due to our increasing utilization of the self-operating model pursuant to which we entered into sales concessionaire arrangements with department stores or shopping malls to obtain retail space for our self-operated Retail Stores. The decrease in fixed rental expenses from RMB 15.5 million in 2007 to RMB10.8 million in 2009 was mainly due to the closing of two *TESTANTIN* Stores in Hong Kong in 2008, partly offset by the increase in the overall fixed rental expenses of other properties rented under the fixed rental arrangement in Hong Kong and the PRC. Please refer to the section headed "Business – Sales and Distribution – I. Self-operated Stores" in this document for more details. Advertising and promotion expenses was approximately RMB8.0 million, RMB30.5 million, RMB9.7 million and RMB6.4 million for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. These expenses include television (in 2008) and other media advertising expenses, promotional event expenses, sale fair and fashion show expenses and renovation subsidies to distributors.

Administrative expenses

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

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

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

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Other expenses

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

Finance costs

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

Income tax expense

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

The Cayman Islands and the BVI

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

Hong Kong

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

The PRC

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

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

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

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

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

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

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RESULTS OF OPERATIONS

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

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

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

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

Cost of Sales

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

Gross profit

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

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Other income

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

Selling and distribution costs

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

Administrative expenses

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

Other expenses

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

Finance cost

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

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

Profit before tax

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

Income tax expense

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

Profit for the period

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

Profit attributable to equity holders

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

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

Revenue

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

Cost of Sales

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

Gross profit

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

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Other income

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

Selling and distribution costs

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

Administrative expenses

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

Other expenses

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

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

Finance cost

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

Profit before tax

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

Income tax expense

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

Profit for the year

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

Profit attributable to equity holders

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

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

Revenue

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

Cost of Sales

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

Note: 31 May 2007 is treated as the acquisition date for accounting purposes, as on that date Evergreen Guangdong began exercising control over Guangzhou Changyue and Guangzhou Changzhuxing pursuant to the board minutes of Evergreen Guang Dong dated 25 March 2007. In the opinion of our Directors, the financial information of Guangzhou Changyue and Guangzhou Changzhuxing since 1 June 2007 should be and is consolidated with our Group's financial information. However, according to the PRC legal opinion, the effective acquisition date was when Evergreen Guangdong obtained the relevant approvals from the Department of Foreign Trade and Economic cooperation of Guangdong Province on 18 August 2007, as disclosed in the section headed "History, Reorganization and Group Structure" and "Statutory and General Information – 1. Further Information about the Company – 4. Corporate reorganization" in this document.

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Gross Profit

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

Other income

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

Selling and distribution costs

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

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

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Administrative expenses

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

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

Other expenses

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

Finance cost

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

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Profit before tax

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

Income tax expense

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

Profit for the year

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

Profit attributable to equity holders

Net profit margin decreased from 25.4% for the year ended 31 December 2007 to 17.8% for the year ended 31 December 2008. This was mainly due to the (i) an increase in

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

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

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and the payment of capital expenditures. We financed our cash flow needs primarily through cash generated from our operating activities and through our interest-bearing bank borrowings.

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

	Year ended 31 December			Six months ended	
	2007	2008	2009	30 June 2009	2010
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Net cash flows from/(used in) operating activities	(53.1)	6.0	153.3	30.0	29.5
Net cash flows from/(used in) investing activities	35.8	(20.8)	(102.3)	(25.4)	70.2
Net cash flows from/(used in) financing activities	22.2	29.0	(53.2)	(16.2)	84.9
Net increase/(decrease) in cash and cash equivalents	4.9	14.2	(2.2)	(11.6)	184.6
Cash and cash equivalents at beginning of the year/period	4.9	9.8	24.1	24.0	21.9
Cash and cash equivalents at end of the year/period	9.8	24.0	21.9	12.4	206.5

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Operating activities

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

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

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

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

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

Investing activities

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

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

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

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

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

Financing activities

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

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

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

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

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

Net current assets

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

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

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

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

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

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

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

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

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

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

Working capital

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

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PRINCIPAL BALANCE SHEET COMPONENTS

Inventories

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

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

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

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

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

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

As at 30 June 2010, the Directors performed a specific review of our inventories as at 30 June 2010 and were satisfied that inventories were carried at the lower of cost and net realizable value. The Directors consider the inventory provision amounting to approximately HK\$12.1 million as at 30 June 2010 to be adequate in view of the nature of our products and our inventory control policy as set out below:

- (i) We primarily operate in the high-end menswear segment, in which the products sold by us, in particular our business menswear, are less sensitive to rapid changes in fashion trends and, as such, some past season products could continue to be sold in our Stores during the Track Record Period; and
- (ii) We monitor and review the level of aged inventories and set specific goals to reduce any excess aged products on a regular basis, which varies from time to time depending on seasonality effects. For instance, we have special offer sales annually to clear unsold aged products that our staff and their families and friends are invited to attend. The Retail Stores also hold, in conjunction with department stores and shopping malls, promotional events for annual stock clearance, store anniversary sales or festival promotional sales as directed by respective department stores and shopping malls. We typically

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coordinate special offers between our self-operated Stores and the Stores operated by our distributors. We evaluate sales and demand levels from time to time to determine the ideal inventory level and form relevant strategies to achieve such target level. We also aim to make more precise estimates of the sales of each season and the level of raw materials and finished products required to ensure that only an optimum level of inventories is held in order to reduce inventory holding periods and tighten control over the procurement process.

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

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

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

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enhance the brand awareness and image of CARTIER products in these three markets, thereby increasing saleability and preventing the accumulation of inventories. The three CARTIER stores submit sales reports to Richemont on a weekly basis. Richemont then assists us with the adjustment of the composition of inventory and customized marketing events.

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

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

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

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

Brand	Type of products	Aging			Total RMB'000
		Less than 1 year RMB'000	1-2 years RMB'000	2 years above RMB'000	
Inventories balance					
V.E. DELURE	Apparels	20,581	14,793	4,723	40,097
TESTANTIN	Apparels	7,951	5,253	580	13,784
Harmont & Blaine	Apparels	–	1,890	2,131	4,021
Total		28,532	21,936	7,434	57,902

Percentage of write down provision following the specific review for inventory level as at 30 June 2010			
5%	26%	43%	18%

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

Trade receivables

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

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

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

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

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

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

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

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

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Prepayments, deposits and other receivables

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

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

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

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

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

Trade payables

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

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

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

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

The Directors confirmed that, as at 31 August 2010, RMB15.4 million of the trade payables as at 30 June 2010 had been settled.

Other payable and accruals

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

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

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

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Amounts due from/(to) related parties and Directors

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

(a) Amount due from/to related parties

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

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

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

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(b) Amounts due from/to Directors

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

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

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COMMITMENTS

Operating lease commitments

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

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

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

CAPITAL EXPENDITURES

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

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

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

We expect to fund our projected capital expenditures principally through [●], cash generated from our operating activities and proceeds from bank loans.

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

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

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INDEBTEDNESS

Bank and other borrowings

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

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

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Notes:

- (i) The Group's bank loans was secured by the pledge of certain of Group's time deposits amounting to RMB43,980,000 as at 31 December 2009 and 30 June 2010;
- (ii) The Group's other unsecured loans were borrowed from the rural credit union. Certain of other loans and trust receipt loans were secured by properties owned by certain directors;

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

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

Pursuant to the Subscription and SP Agreement, the Company issued to Admiralfly Redeemable Convertible Bonds in the aggregate principal amount of US\$25,000,000 which will be automatically converted to Shares in full on [●]. Based on the number of Shares which are expected to be in issue immediately upon [●], Admiralfly is expected to be allotted and issued 110,021,763 Shares upon Conversion. The Conversion Price will be approximately HK\$1.77 per Share. The proceeds of the Redeemable Convertible Bonds were received by the Company on 24 May 2010. For further details, please refer to the section headed "Financial Investor – Subscription and SP Agreement."

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

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

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

Loans to assets ratio

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

Contingent Liabilities

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

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Foreign exchange risk

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

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

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

Interest rate risk

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

FINANCIAL INFORMATION

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

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

Credit risk

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

FINANCIAL INFORMATION

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

Liquidity risk

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

	As at 31 December 2007			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	–	25,845	–	25,845
Other payables	754	9,926	–	10,680
Interest-bearing bank and other borrowings	–	23,490	–	23,490
Finance lease payables	–	173	45	218
Due to related parties	21,885	–	–	21,885
Due to directors	29,391	–	–	29,391
	52,030	59,434	45	111,509
	52,030	59,434	45	111,509
	As at 31 December 2008			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	–	19,805	–	19,805
Other payables	548	31,862	–	32,410
Interest-bearing bank and other borrowings	–	74,530	–	74,530
Finance lease payables	–	42	–	42
Due to directors	18,666	–	–	18,666
	19,214	126,239	–	145,453
	19,214	126,239	–	145,453

FINANCIAL INFORMATION

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

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

Distributable reserves

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

Dividend and dividend policy

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

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

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

No material adverse change

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

Disclosure required under [●]

The Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under [●].

PROPERTY INTEREST

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

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New Horizon is a limited liability partnership incorporated and registered in the Cayman Islands, focusing on equity investments in China. Among other limited partners of New Horizon, the major limited partners of New Horizon include (i) SBI Holdings Inc., an investment company based and listed in Japan, (ii) Glendale Fund Investments Pte. Ltd., an affiliate of Temasek Holdings Pte. Ltd., (iii) Portland Limited, an affiliate of an investment company based in the Middle East, and (iv) Skyland Venture Limited, an affiliate of a holding company specializing in the manufacture and sale of paints and coatings in Singapore, all of which are Independent Third Parties. New Horizon's target industry sectors include advanced manufacturing, new energy, consumer and retail, biotech and healthcare. Admiralfly is a special purpose vehicle set up and wholly owned by New Horizon for the purpose of investing in the Company.

Prior to New Horizon's investment in the Company, New Horizon invested in two other enterprises in the field of consumer retail. The resources of these projects could be used as commercial resources such as referral of attractive store locations for the Group where suitable opportunities arise. The Company was approached by New Horizon, which investment in the Company the Directors believe would provide benefits to the Group by (a) improving the capital structure of our Group and providing a long-term and stable source of funding to our Group; (b) providing strategic planning support to the Group by leveraging on the investment experience of New Horizon in the PRC consumer retail sector; (c) strengthening corporate governance, management and operations, financial expertise, capital market access, potential merger and acquisition support and business development of our Group through New Horizon's extensive investment experience in both listed and private companies; and (d) reducing the Group's reliance on bank borrowings.

The relevant investments of New Horizon in the two enterprises in the field of consumer retail are:

- (i) an interest of less than 30% in an enterprise which principally engages in the manufacturing, wholesale and retailing of jade accessories, diamonds and inlaid precious stone jewellery;
- (ii) an interest of less than 25% in an enterprise which principally engages in the design and production of various types of athletic footwear and the design and wholesale of other sportswear products or accessories.

The Company confirmed that these two enterprises are not involved in businesses which compete with that of the Group.

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SUBSCRIPTION AND SP AGREEMENT

On 29 April 2010, the Company, Pacific Success, Mr. Chan and Admiralfly entered into the Subscription and SP Agreement (as supplemented by the amendment letter dated 25 May 2010) in relation to the Shares Acquisition (as defined below) and the subscription of the Redeemable Convertible Bonds. On 25 May 2010, (i) Admiralfly acquired from Pacific Success 24,977,914 Shares, representing approximately 4.163% of the then issued share capital of the Company, at a consideration of US\$5,000,000 (equivalent to approximately HK\$38,900,000) (the "**Shares Acquisition**"). The subscription price per Share under the Shares Acquisition was HK\$1.56 per Share, and (ii) the Company issued to Admiralfly the Redeemable Convertible Bonds in the aggregate principal amount of US\$25,000,000 (equivalent to approximately HK\$194,500,000) bearing an interest rate of 2% per annum, in each case, pursuant to the Subscription and SP Agreement. The proceeds from the Shares Acquisition of US\$5,000,000 were received by Pacific Success on 25 May 2010, while the proceeds of Redeemable Convertible Bonds were received by the Company on 24 May 2010. Under the Subscription and SP Agreement, if the Conversion does not take place, the Company shall repay to the Admiralfly on 31 December 2013 (the "**Maturity Date**") such principal moneys outstanding under the Redeemable Convertible Bonds together with a premium of 10% per annum on a compound basis.

The Redeemable Convertible Bonds will be automatically converted to Shares in full on [●]. Admiralfly also has the right (the "**Conversion Rights**") to convert the principal amount into Shares (such Shares, the "**Converted Shares**") at any time up to and including 4:00 p.m. (Hong Kong time) on the Maturity Date. The conversion price will be approximately HK\$1.77 per Share (the "**Conversion Price**").

Under the Subscription and SP Agreement, the Company cannot repay early or prepay any part of the outstanding principal amount or redeem the Redeemable Convertible Bonds prior to the Maturity Date unless agreed by both the Company and Admiralfly. Admiralfly may give notice to the Company to redeem the Redeemable Convertible Bonds at its principal amount together with a premium of 10% per annum on a compound basis, on the face value of the Redeemable Convertible Bonds, if certain events of default as stated in the Redeemable Convertible Bonds occur, and such default has not been rectified to the reasonable satisfaction of Admiralfly within seven Business Days of the notice. According to the Subscription and SP Agreement, such events of default include, among other matters, (a) at any time prior to the Maturity Date and provided that [●] has not taken place, any of the provisions in the Definitive Agreements is violated by any subsidiaries comprising the Group (other than Sunsonic) or Mr. Chan in a material aspect; or (b) any subsidiaries comprising the Group (other than Sunsonic) materially defaults on any of its material obligations in respect of the Redeemable Convertible Bonds; or (c) any subsidiaries comprising the Group (other than Sunsonic), without prior written consent from the holder of the Redeemable Convertible Bonds holding 75% or more in the principal amount of the Redeemable Convertible Bonds, engages in or conducts any business which materially differs from the Business and the total investment by the Group in all such businesses other than the Business exceeds 30% of the then net asset value of the Group; or (d) any of the Company or Mr. Chan fails to honour its obligations under the Redeemable Convertible Bonds in a material aspect; or (e) an occurrence of an insolvency event; or (f) cross-default of other borrowed money

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between the Company and/or any subsidiaries comprising the Group (other than Sunsonic) with third parties; or (g) breach of certain liquidity requirements by the Company; or (h) make, declare or pay any dividend exceeding 20% of the consolidated net profit of the Group without the prior consent of Admiralfly; or (i) consolidated net profits of the Group for the year ending 31 December 2010 is lower than RMB90 million; or (j) any material departure from the use of funds pursuant to the financial covenants undertaken by the Company without approval by bondholders collectively holding 75% or more in the principal amount of the Redeemable Convertible Bonds.

Upon [●] and conversion of the Redeemable Convertible Bonds, Admiralfly will be allotted and issued 110,021,763 Shares, representing 11.62% of the enlarged issued Share capital immediately following [●] (based on the number of Shares which are expected to be in issue immediately upon [●] and assuming that certain option is not exercised).

The Conversion Price will be adjusted in the following circumstances:-

- (i) if and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount; or
- (ii) if there is any reduction of the share capital of the Company or any purchase of the Company's own Shares or any other variation in the issued share capital of the Company before the Maturity Date, corresponding alterations (if any) shall be made to the Conversion Price or the number of Converted Shares to be issued upon exercise of the Conversion Rights, or any combination thereof, as the Company's auditors or the approved merchant bank shall certify in writing to be in their opinion fair and reasonable; or
- (iii) if the Company issues any convertible bonds, rights or any securities convertible into Shares (the "**Convertible Securities**") to any new investor(s) at a price payable on issue and/or conversion which is less than the prevailing Conversion Price before the Maturity Date or [●], whichever is earlier, the Conversion Price will be adjusted to the then new conversion price of the Convertible Securities and the number of Converted Shares to be issued upon exercise of the Redeemable Convertible Bonds will be increased accordingly; or
- (iv) if the Company declares a dividend in assets and/or shares (save as otherwise stated in the Redeemable Convertible Bonds), a corresponding adjustment (if any) shall be made to the Conversion Price or the number of Converted Shares to be issued upon exercise of the Conversion Rights, or any combination thereof, as the Company's auditors or the approved merchant bank shall certify in writing to be in their opinion fair and reasonable; or

FINANCIAL INVESTOR

- (v) if the Company issues any new Shares to any new investor(s) with a valuation lower than the Conversion Price before the Maturity Date or [●], whichever is earlier, the Conversion Price will be adjusted to the then issue price and the number of Converted Shares to be obtained upon exercise of the Redeemable Convertible Bonds will be increased accordingly provided that in any event the number of Converted Shares to which Admiralfly is entitled after the adjustment hereunder shall not be less than the original number of the Converted Shares before such adjustment.

Pursuant to the waiver letter dated 2 August 2010 executed by Admiralfly in favour of the Company, Mr. Chan and Pacific Success (the "**Waiver Letter**"), Admiralfly agreed to waive the rights under circumstances (ii) to (v) mentioned above under the Subscription and SP Agreement with effect from 25 May 2010. Pacific Success however, undertakes, among others, that if [●] does not take place within six months from the date of the Waiver Letter, Pacific Success shall indemnify and hold harmless Admiralfly from and against any and all losses it may otherwise suffer under circumstances (ii) to (v) above as a result of, based upon or arising from Admiralfly's waiver of any of such rights.

Pursuant to the Subscription and SP Agreement, the following major terms will survive [●]:

- a. Post closing adjustment mechanism between Pacific Success and Admiralfly (the "Adjustment")
- (i) In the event that the difference between the market capitalization of the Company at the time of [●] determined by reference to the [●] (the "**Capitalization**") and the gross proceeds raised by the [●] (the "**Capital Raised**") is less than HK\$1,600,000,000, Pacific Success shall transfer to Admiralfly such additional number of Shares (the "**Adjustment Shares**") calculated in accordance with the following formula on or before the [●]:-

$$X = A \times ((\text{HK}\$1,600,000,000 - (B - C)) / \text{HK}\$1,600,000,000)$$

where X is the number of the Adjustment Shares;

A is the sum of the total number of (a) number of Shares to be convertible from the Redeemable Convertible Bonds and (b) 24,977,914 Shares;

B is the Capitalization under the [●]; and

C is the Capital Raised under the [●].

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Based on the proposed [●], the Adjustment will not be triggered if the difference between [●] and Capital Raised is not less than HK\$1,600,000,000. In the event that the Adjustment is triggered, pursuant to the Supplemental Agreement entered into on 2 August 2010 by and among the Company, Pacific Success, Mr. Chan and Admiralfly, Pacific Success shall only transfer the [●] Adjustment Shares to Admiralfly immediately after the expiration of (i) the lock-up period as imposed by the applicable laws and regulations and (ii) the lock-up period as agreed between [●], the Company and other relevant parties, whichever is longer.

- (ii) If (a) [●] has not occurred on or prior to the delivery by the Company of the audited financial statements for the year ending 31 December 2010 and (b) the audited consolidated net profits of the Group for the year ending 31 December 2010 is less than RMB150,000,000, Pacific Success shall transfer to Admiralfly additional number of Shares (the "[●]") calculated in accordance with the following formula as soon as practicable after the completion of the audit of the Group's consolidated financial statements as at, and for the year ending, 31 December 2010:

$$X = (A \times (\text{RMB}150,000,000 / B - 1)) * C$$

where X is the number of [●];

A is percentage of Shares owned by Admiralfly after exercise by Admiralfly of the Conversion Rights ($A = (a+b)/C$, $a=24,977,914$ Shares, b =number of Shares to be convertible from the Redeemable Convertible Bonds);

B is the audited consolidated net profits of the Group for the year ending 31 December 2010; provided that (i) the audited consolidated net profits of the Group for the year ending 31 December 2010 is less than RMB90,000,000, B shall be RMB90,000,000 and (ii) in determining the audited consolidated net profits of the Group for the year ending 31 December 2010, any accounting impact resulted from the change in the fair value of the Redeemable Convertible Bonds shall be excluded; and

C is the total number of the aggregate of the outstanding Shares and such Shares as may be issued upon exercising the Conversion Rights under the then outstanding Redeemable Convertible Bonds at the time of calculation.

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- b. The proceeds of Redeemable Convertible Bonds received on 24 May 2010 were required to be applied towards the preparation and expansion of the Business whereby (i) 34% of which will be used for the opening of new self-operated Stores, (ii) 17% of which will be used for the acquisition of existing distributors' Stores, (iii) 23% of which will be used for the strengthening of product lines, (iv) 11% of which will be used for advertising and promotion and the ERP system, and (v) 15% of which shall be used as the working capital for business expansion. Further, no more than 28.2% of the net proceeds of the Redeemable Convertible Bonds may be applied towards the repayment of the existing bank loans if such net proceeds have not been fully utilized towards the preparation and expansion of the Business. The Company had, since the receipt of the proceeds from the Redeemable Convertible Bonds on 25 May 2010 and up to and including 30 September 2010, transmitted HK\$140,000,000.00 to Evergreen Guangdong as additional registered capital. Out of such HK\$140,000,000.00, the Company applied (i) approximately RMB40,855,523 as working capital for daily business operations, (ii) approximately RMB35,463,872 for the opening of Stores, including preparation of inventory and decoration and/or other related expenditures, (iii) approximately RMB1,637,856 for advertising and promotions and (iv) RMB48,000,000 for repayment of debt. The Company confirmed that the Group has duly complied with the financial covenants, including the application of the net proceeds, under the Subscription and SP Agreement. The unused net proceeds have been deposited in licensed banks and the Company will apply the unused net proceeds in accordance with the Subscription and SP Agreement.
- c. If Admiralfly has exercised the Conversion Rights and [●] does not take place on or before the Maturity Date, the Company shall procure that the Converted Shares will be acquired on Maturity Date at consideration equal to the aggregate amount of the number of such Converted Shares multiplied by the Conversion Price (the "**Repurchase Price**") together with a premium of 10% per annum on a compound basis of the Repurchase Price.
- d. Admiralfly undertook that it would not, and procure that its ultimate beneficial owner(s) would not, for a period commencing from the [●] and ending on the date which is six months from the [●], directly or indirectly, offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise transfer or dispose of any Shares acquired pursuant to the Shares Acquisition and the Converted Shares under the Subscription and SP Agreement.

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- e. Mr. Chan undertook to the Company and Admiralfly that (i) he would not, save with the prior written consent of Admiralfly and otherwise expressly provided in the Subscription and SP Agreement, sell, transfer, pledge or mortgage any of his direct or indirect interest in Pacific Success; (ii) Pacific Success shall not sell, transfer, pledge or mortgage any of its direct or indirect interest in the Company; and (iii) he and his associates (collectively, the "**Covenantors**") and any companies in which any of the Covenantors has an effective equity interest of more than 40% or management control, shall not engage in any activities or businesses that compete directly with the Business or the products manufactured and/or under development by the Group.

A share pledge agreement dated 25 May 2010 (the "**Share Pledge Agreement**") was entered into by the Company, Admiralfly and Pacific Success whereby, among others, Pacific Success agreed to charge to Admiralfly 142,004,353 Shares ("**Pledged Shares**") by way of first fixed charge. This share pledge will terminate when all the principal amount of the Redeemable Convertible Bonds are automatically converted upon [●].

SECURITYHOLDERS' AGREEMENT

Pursuant to the Securityholders' Agreement, the following special terms are given to Admiralfly and will cease upon [●]:

- a. The right of Admiralfly to nominate, appoint and to remove one director to the Board ("**Investor Director**") and such Investor Director shall resign on the [●].
- b. For so long as the requirement that Admiralfly holds an interest in the Company, whether in the form of Redeemable Convertible Bonds and/or Shares, representing 20% or more of the total investment amount of US\$30 million (the "**Investor Shareholding Requirement**"), Mr. Chan shall procure one director nominated by Admiralfly be appointed to the board of directors of Evergreen Guangdong.
- c. Subject to the fulfillment of the Investor Shareholding Requirement, each of Pacific Success and Admiralfly has a right of first refusal in the event that Pacific Success or Admiralfly wishes to sell Shares to any third parties.
- d. Subject to the fulfillment of the Investor Shareholding Requirement, Admiralfly has a tag-along right in the event that either Mr. Chan or Pacific Success wishes to dispose of their direct or indirect interests in the Shares ("**Disposing Shareholder**") to any third parties, resulting in their legal or beneficial, direct and indirect, ownership in the Shares collectively falling below 51% of the issued share capital of the Company, the Disposing Shareholder shall promptly notify Admiralfly of the identity of the relevant third party purchaser(s) in the relevant share transaction. Admiralfly shall be entitled to consider at its sole discretion converting the Redeemable Convertible Bonds and have the right to dispose all of or part of its Converted Shares to such third party on identical terms and timing as the transaction between such third party and the Disposing Shareholder.

FINANCIAL INVESTOR

- e. In relation to the disclosure of financial information of the Company, the Company shall provide Admiralfly with periodic management accounts, annual audited accounts and the Company will meet with Admiralfly for quarterly and annual business reviews.
- f. The Securityholders' Agreement will terminate upon [●], except for the following terms, which will survive such termination:-
 - (i) each of Pacific Success and Admiralfly will comply with any restrictions on the transfer and encumbrance of the Shares and the Shares issued upon Conversion that [●] determines to be necessary or appropriate; and
 - (ii) the confidential obligations which provides that the parties of the Securityholders' Agreement only use the confidential information for the purposes of the Business or to make decisions regarding its investment in the Company and none of the parties of the Securityholders' Agreement shall disclose any confidential information or allow such information to be disclosed to any third party except to officers, employees and consultants or advisors of each party of the Securityholders' Agreement who are required to know (and only to the extent that each is required to know) for the purposes mentioned above.

New Horizon will maintain its role as a financial investor of the Group before and after [●]. Upon [●], New Horizon will not be entitled to any information rights to the specific information of the Group, that other independent Shareholders do not have. Admiralfly exercised its right to appoint the Investor Director pursuant to the Securityholders' Agreement by appointing Mr. Zou Jianming to the Board in May 2010. As at the Latest Practicable Date, Mr. Zou resigned as a Director.

FUTURE PLANS

FUTURE PLANS

Please refer to the section of this document headed of the "Business – Strategies" section for the detailed discussion of our future plans.

APPENDIX I

ACCOUNTANTS' REPORT

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
[[●] 2010]

The Directors
Evergreen International Holdings Limited
Piper Jaffray Asia Limited

Dear Sirs,

We set out below our report on the financial information of Evergreen International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), prepared on the basis set out in note 2 of Section II below, for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Relevant Periods")(the "Financial Information") and the six months ended 30 June 2009 (the "30 June 2009 Financial Information") for inclusion in the document of the Company dated [●] 2010 (the "document").

The Company was incorporated in the Cayman Islands on 26 June 2008 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganization (the "Reorganization") as detailed in note 1 of Section II, the Company became the holding company of the subsidiaries set out in note 1 of Section II.

All companies now comprising the Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements. For the purpose of this report, the directors of the Company have prepared the consolidated management accounts of the Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "IFRS consolidated management accounts").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information and the contents of the document in which this report is included. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion, based on our independent audit on the Financial Information for the Relevant Periods and to report our opinion to you.

PROCEDURES PERFORMED IN RESPECT OF THE FINANCIAL INFORMATION DURING THE RELEVANT PERIODS

The Financial Information has been prepared from the IFRS consolidated management accounts and in accordance with the basis set out in note 2 of Section II. For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "[●] and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary to the IFRS consolidated management accounts in preparing this accountants' report for inclusion in the document.

PROCEDURES PERFORMED IN RESPECT OF THE 30 JUNE 2009 FINANCIAL INFORMATION

For the purpose of this report, we have also performed a review of the 30 June 2009 Financial Information 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. 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 HKSA 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 30 June 2009 Financial Information.

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ACCOUNTANTS' REPORT

OPINION IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

In our opinion, the Financial Information for the Relevant Periods prepared on the basis of presentation set out in note 2 under Section II "Notes to the financial information", gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of the Company as at 31 December 2008 and 2009 and 30 June 2010, and of the consolidated results and cash flows of the Group for the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE 30 JUNE 2009 FINANCIAL INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 June 2009 Financial Information does not give a true and fair view of the consolidated results and cash flows of the Group for the six-month period ended 30 June 2009.

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ACCOUNTANTS' REPORT

(I) FINANCIAL INFORMATION

Consolidated income statements

	<i>Notes</i>	Years ended 31 December			Six months ended	
		2007	2008	2009	30 June	2010
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)	
REVENUE	6	193,879	340,408	409,013	136,716	249,235
Cost of sales		<u>(88,190)</u>	<u>(137,053)</u>	<u>(161,141)</u>	<u>(62,358)</u>	<u>(82,311)</u>
Gross profit		105,689	203,355	247,872	74,358	166,924
Other income	6	2,686	2,161	2,067	788	966
Selling and distribution costs		(46,531)	(98,673)	(89,079)	(41,471)	(63,059)
Administrative expenses		(11,392)	(19,925)	(20,842)	(8,542)	(13,918)
Other expenses		(304)	(6,767)	(3,000)	(493)	(8,643)
Finance costs	8	<u>(1,496)</u>	<u>(5,217)</u>	<u>(6,065)</u>	<u>(3,392)</u>	<u>(3,828)</u>
PROFIT BEFORE TAX	7	48,652	74,934	130,953	21,248	78,442
Income tax credit/(expense)	11	<u>510</u>	<u>(14,456)</u>	<u>(26,035)</u>	<u>(4,547)</u>	<u>(8,099)</u>
PROFIT FOR THE YEAR/PERIOD		<u>49,162</u>	<u>60,478</u>	<u>104,918</u>	<u>16,701</u>	<u>70,343</u>
Attributable to:						
Owners of the Company		<u>49,162</u>	<u>60,478</u>	<u>104,918</u>	<u>16,701</u>	<u>70,343</u>

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Consolidated statements of comprehensive income

	Years ended 31 December			Six months ended	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Profit for the year/period	<u>49,162</u>	<u>60,478</u>	<u>104,918</u>	<u>16,701</u>	<u>70,343</u>
Other comprehensive income:					
Exchange differences on translation of financial statements of subsidiaries outside of PRC	<u>731</u>	<u>658</u>	<u>(77)</u>	<u>29</u>	<u>946</u>
Total comprehensive income for the year/period	<u>49,893</u>	<u>61,136</u>	<u>104,841</u>	<u>16,730</u>	<u>71,289</u>
Attributable to:					
Owners of the Company	<u>49,893</u>	<u>61,136</u>	<u>104,841</u>	<u>16,730</u>	<u>71,289</u>

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Consolidated statements of financial position

		As at 31 December			As at
		2007	2008	2009	30 June
	Notes	RMB'000	RMB'000	RMB'000	2010
					RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	4,186	10,280	9,647	16,280
Goodwill	15	1,880	1,880	1,880	1,880
Deferred tax assets	24	3,717	3,716	4,708	5,503
Total non-current assets		9,783	15,876	16,235	23,663
CURRENT ASSETS					
Inventories	16	46,937	90,404	131,642	129,224
Trade receivables	17	77,718	82,747	55,668	66,392
Prepayments, deposits and other receivables	18	39,585	74,161	111,863	51,328
Due from directors	30	–	1,056	650	148
Due from related parties	30	14,402	18	71	832
Tax recoverable		–	99	–	–
Pledged deposits	19	–	–	43,980	43,980
Cash and cash equivalents	19	9,830	24,042	21,850	206,469
Total current assets		188,472	272,527	365,724	498,373
CURRENT LIABILITIES					
Trade payables	20	25,845	19,805	37,472	26,589
Other payables and accruals	21	34,515	47,325	32,468	32,270
Interest-bearing bank and other borrowings	22	22,420	70,574	93,994	71,417
Current portion of finance lease payables	22	166	42	–	–
Due to directors	30	29,391	18,666	22,768	–
Due to related parties	30	21,885	–	–	–
Tax payable		1,407	5,998	13,466	11,890
Total current liabilities		135,629	162,410	200,168	142,166
NET CURRENT ASSETS		52,843	110,117	165,556	356,207
TOTAL ASSETS LESS CURRENT LIABILITIES		62,626	125,993	181,791	379,870

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ACCOUNTANTS' REPORT

	<i>Notes</i>	As at 31 December			As at
		2007	2008	2009	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>62,626</u>	<u>125,993</u>	<u>181,791</u>	<u>379,870</u>
NON-CURRENT LIABILITIES					
Finance lease payables	22	44	–	–	–
Convertible bonds	23	–	–	–	171,287
Deferred tax liabilities	24	<u>13</u>	<u>2,288</u>	<u>7,866</u>	<u>1,352</u>
Total non-current liabilities		<u>57</u>	<u>2,288</u>	<u>7,866</u>	<u>172,639</u>
Net assets		<u>62,569</u>	<u>123,705</u>	<u>173,925</u>	<u>207,231</u>
EQUITY					
Issued capital	25	–	–	–	528
Equity component of convertible bonds		–	–	–	136
Reserves	26	<u>62,569</u>	<u>123,705</u>	<u>173,925</u>	<u>206,567</u>
Total equity		<u>62,569</u>	<u>123,705</u>	<u>173,925</u>	<u>207,231</u>

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ACCOUNTANTS' REPORT

Consolidated statements of changes in equity

	Attributable to owners of the Company									
	Issued capital	Acquisition reserve	Merger reserve	Statutory surplus reserve	Exchange fluctuation reserve	Equity component of convertible bonds	Retained profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 26(c))	(Note 26(a))	(Note 26(b))						
At 1 January 2007	-	-	1,072	691	332	-	7,942	10,037	6,592	16,629
Total comprehensive income	-	-	-	-	731	-	49,162	49,893	-	49,893
Transfer to reserves	-	-	-	-	-	-	-	-	-	-
Acquisition of minority interests	-	2,639	-	-	-	-	-	2,639	(6,592)	(3,953)
At 31 December 2007 and 1 January 2008	-	2,639	1,072	691	1,063	-	57,104	62,569	-	62,569
Total comprehensive income	-	-	-	-	658	-	60,478	61,136	-	61,136
Transfer to reserves	-	-	-	5,673	-	-	(5,673)	-	-	-
At 31 December 2008 and 1 January 2009	-	2,639	1,072	6,364	1,721	-	111,909	123,705	-	123,705
Total comprehensive income	-	-	-	-	(77)	-	104,918	104,841	-	104,841
Interim dividend	-	-	-	-	-	-	(54,621)	(54,621)	-	(54,621)
Transfer to reserves	-	-	-	1,520	-	-	(1,520)	-	-	-
At 31 December 2009 and 1 January 2010	-	2,639	1,072	7,884	1,644	-	160,686	173,925	-	173,925
Issue of shares	528	-	-	-	-	-	-	528	-	528
Equity component of convertible bonds	-	-	-	-	-	136	-	136	-	136
Total comprehensive income	-	-	-	-	946	-	70,343	71,289	-	71,289
Interim dividend	-	-	-	-	-	-	(38,647)	(38,647)	-	(38,647)
Transfer to reserves	-	-	-	10,051	-	-	(10,051)	-	-	-
At 30 June 2010	528	2,639	1,072	17,935	2,590	136	182,331	207,231	-	207,231
Unaudited										
At 31 December 2008 and 1 January 2009	-	2,639	1,072	6,364	1,721	-	111,909	123,705	-	123,705
Total comprehensive income	-	-	-	-	29	-	16,701	16,730	-	16,730
Transfer to reserves	-	-	-	56	-	-	(56)	-	-	-
At 30 June 2009	-	2,639	1,072	6,420	1,750	-	128,554	140,435	-	140,435

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Consolidated statements of cash flows

	Notes	Years ended 31 December			Six months ended	
		2007	2008	2009	30 June	
		RMB'000	RMB'000	RMB'000	2009	2010
				RMB'000	RMB'000	
				(unaudited)		
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		48,652	74,934	130,953	21,248	78,442
Adjustments for:						
Finance costs	8	1,496	5,217	6,065	3,392	3,828
Foreign exchange (gain)/loss		(103)	49	(76)	28	(469)
Excess over the cost of a business combination	6	(801)	-	-	-	-
Interest income	6	(1,146)	(226)	(188)	(102)	(125)
Loss on disposal of items of property, plant and equipment	7	-	967	272	275	7
Depreciation	7	3,026	2,310	4,360	2,438	2,802
Provision for slow-moving and obsolete inventories	7	-	4,296	1,768	-	6,072
		51,124	87,547	143,154	27,279	90,557
Increase in inventories		(26,079)	(47,763)	(43,006)	(25,207)	(3,654)
(Increase)/decrease in trade receivables		(60,978)	(5,029)	27,079	18,033	(10,724)
(Increase)/decrease in prepayments, deposits and other receivables		(23,914)	(9,871)	16,990	14,440	(18,857)
Increase/(decrease) in trade payables		12,686	(6,040)	17,667	4,635	(10,883)
Increase/(decrease) in other payables and accruals		(4,192)	(5,310)	5,143	(2,423)	(58)
Cash received from/ (used in) operations		(51,353)	13,534	167,027	36,757	46,381
Interest received		164	226	188	102	125
PRC corporate income tax paid		(1,777)	(7,504)	(13,270)	(6,448)	(16,985)
Hong Kong profits tax paid		(100)	(179)	(612)	(350)	-
Net cash flows from/ (used in) operating activities		(53,066)	6,077	153,333	30,061	29,521

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ACCOUNTANTS' REPORT

	Years ended 31 December			Six months ended	
	2007	2008	2009	2009	2010
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(4,382)	(9,519)	(4,008)	(1,206)	(9,447)
Proceeds of disposal of items of property, plant and equipment	-	75	9	4	5
Acquisition of subsidiaries	27 9,534	-	-	-	-
Acquisition of minority interests	(3,953)	-	-	-	-
Decrease/(increase) in balances due from directors	1,320	(1,056)	406	(131)	502
Decrease/(increase) in balances due from related parties	26,220	14,384	(53)	(37)	(233)
(Increase)/decrease in other receivables	7,100	(24,700)	(54,692)	(24,052)	79,392
Increase in pledged time deposits	-	-	(43,980)	-	-
Net cash flows from/(used in) investing activities	<u>35,839</u>	<u>(20,816)</u>	<u>(102,318)</u>	<u>(25,422)</u>	<u>70,219</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of convertible bonds	-	-	-	-	170,634
New bank and trust receipt loans	17,973	80,904	98,594	51,519	28,000
Repayment of bank and trust receipt loans	(14,162)	(32,068)	(75,174)	(70,574)	(50,000)
Repayment of finance leases	(164)	(158)	(42)	(42)	-
Increase/(decrease) in balances due to directors	18,252	(10,725)	4,101	6,243	(22,768)
Decrease in balances due to related parties	(71)	(21,885)	-	-	-
Increase/(decrease) in other payables	1,800	18,200	(20,000)	-	-
Interest paid	(1,456)	(5,297)	(6,065)	(3,392)	(2,320)
Dividend paid	-	-	(54,621)	-	(38,647)
Net cash flows from/(used in) financing activities	<u>22,172</u>	<u>28,971</u>	<u>(53,207)</u>	<u>(16,246)</u>	<u>84,899</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of year/period	4,945	14,232	(2,192)	(11,607)	184,639
Effect of foreign exchange rate changes, net	4,927	9,830	24,042	24,042	21,850
	<u>(42)</u>	<u>(20)</u>	<u>-</u>	<u>1</u>	<u>(20)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD					
	<u>9,830</u>	<u>24,042</u>	<u>21,850</u>	<u>12,436</u>	<u>206,469</u>

(II) NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANIZATION

The Company is a limited liability company incorporated in the Cayman Islands on 26 June 2008. The initial authorized share capital of the Company was US\$50,000.00 divided into 50,000 shares of US\$1.00 each and was increased to HK\$1,000,000 divided into 1,000,000,000 share of HK\$0.01 each on 11 February 2010. The Company's registered office address is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands. It became the holding company of the Group as a result of the Reorganization as described in the section headed "History, Reorganization and Group Structure" in the document.

The major steps of the Reorganisation were as follows:

- (a) On 8 January 2007, Evergreen International Group Limited ("Evergreen International") acquired 30% of the equity interest in Evergreen Guangdong Garment Co., Ltd. ("Evergreen GD") from 廣州市迪萊貿易發展有限公司 ("Guangzhou Dilai").
- (b) On 31 May 2007, Evergreen Guangdong acquired from Chen Yunan and Chen Minwen their respective 60% and 40% equity interests in Guangzhou Changyue Trading Co., Ltd. ("Changyue"), and acquired from Chen Jiachang and Jiang Shunzhu their respective 72% and 28% equity interests in Guangzhou Forever Green Trading Co., Ltd. ("Changzhuxing").
- (c) On 1 January 2008, Chan Yuk Ming (the "Controlling Shareholder") acquired 255 shares of VE Delure SARL ("VEDS") from Chen Yunan and five shares of VEDS from Ng Yin Shan, the wife of the Controlling Shareholder.
- (d) On 16 April 2008, Sunsonic Holding Limited ("Sunsonic") was incorporated under the laws of the British Virgin Island ("BVI") with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each.
- (e) On 26 June 2008, the Company was incorporated under the laws of the Cayman Islands with an authorized share capital of US\$50,000 of US\$1.00 each, and one share of US\$1.00 in its share capital was issued and allotted to the initial subscriber of Offshore Incorporations (Cayman) Limited on the same day.
- (f) On 18 July 2008, Pacific Success Holdings Limited ("Pacific Success") acquired the one share of the Company, and one share of Sunsonic was allotted and issued to the Company. On the same day, the Controlling Shareholder transferred one share of Richwood Management Limited ("Richwood"), representing its then-entire issued share capital, to Sunsonic.
- (g) On 8 August 2008, the Controlling Shareholder transferred the entire equity interest in VEDS to Richwood Management Limited.
- (h) On 29 August 2008, the Controlling Shareholder sold the entire equity interest in Evergreen (Asia) Trading Company Limited ("Evergreen Asia") and Master (Hong Kong) Marketing Limited ("Master HK") and one share of Evergreen International to Sunsonic.
- (i) On 16 September 2008, the Controlling Shareholder sold 999,999 shares of Evergreen International to Sunsonic. Following the aforesaid transfers, Sunsonic owned the then-entire issued share capital of Evergreen International and the Reorganisation was completed.

The Company and its subsidiaries principally engage in the manufacturing and trading of clothing and clothing accessories (the "Relevant Businesses").

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Prior to the incorporation of the Company, the Relevant Businesses were carried out by the subsidiaries now comprising the Group which were controlled by the Controlling Shareholder. Accordingly, for the purpose of this report, the Financial Information set out in this report has been prepared on a combined basis by applying the principles of the pooling-of-interests method as set out in note 2.

For subsidiaries historically acquired or disposed of by the Group during the Relevant Periods, their financial information is consolidated from or to their effective dates of acquisition or disposal.

Particulars of the principal subsidiaries comprising the Group at the date of this report are set out below:

Company name	Notes	Date of incorporation/ establishment	Place of incorporation/ registration and operations	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company		Principal activities
					Direct %	Indirect %	
Sunsonic Holding Limited	(i)	16 April 2008	BVI	US\$1/US\$50,000	100	–	Investment holding
Richwood Management Limited	(i)	1 July 2004	BVI	US\$1/US\$50,000	–	100	Holding trademarks and investment holding
Evergreen International Group Limited (長興集團國際有限公司)	(ii)	18 August 2004	Hong Kong	HK\$1,000,000/ HK\$1,000,000	–	100	Investment holding and trading of garment products
Evergreen (Asia) Trading Company Limited (長興亞洲貿易有限公司)	(ii)	19 September 1997	Hong Kong	HK\$10,000/ HK\$10,000	–	100	Trading of garment products and accessories
Master (Hong Kong) Marketing Limited (萬事達香港市場策劃有限公司)	(ii)	9 January 2004	Hong Kong	HK\$2/HK\$10,000	–	100	Retailing and trading of garment products
Guangdong Evergreen Garment Co., Ltd. (長興廣東服飾有限公司)	(iii)	12 May 2005	Mainland China	HK\$12,000,000/ HK\$12,000,000	–	100	Manufacturing and sale of clothing and clothing accessories
Guangzhou Changyue Trading Co., Ltd. (廣州市長越貿易有限公司)	(iii)	8 June 2005	Mainland China	RMB1,000,000/ RMB1,000,000	–	100	Sale of clothing and clothing accessories
Guangzhou Forever Green Trading Co., Ltd. (廣州市長珠興貿易有限公司)	(iii)	15 January 2004	Mainland China	RMB5,000,000/ RMB5,000,000	–	100	Sale of clothing and clothing accessories
VE Delure SARL		22 October 2001	France	Euro8,000/ Euro8,000	–	100	Holding of trademarks

The English names of the Company's subsidiaries registered in Mainland China represent the translated names of these companies as no English names have been registered.

As at the date of this report, no statutory audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

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ACCOUNTANTS' REPORT

Notes:

- (i) No audited financial statements have been prepared for each of the Relevant Periods as these subsidiaries are not subject to any statutory audit requirements in their jurisdiction of incorporation.
- (ii) The statutory financial statements for the years ended 31 December 2007 and 2008 were audited by CWCC, certified public accountants registered in Hong Kong. The statutory financial statements for the year ended 31 December 2009 were audited by Ernst & Young, certified public accountants registered in Hong Kong.
- (iii) The statutory financial statements for the three years ended 31 December 2007, 2008 and 2009 for mainland subsidiaries were prepared in accordance with the Accounting Standards for Business Enterprise issued by the Ministry of Finance on 15 February 2006 and other related regulations (collectively the "PRC GAAP") and were audited by 華信會計師事務所, certified public accountants registered in the PRC.

2. BASIS OF PRESENTATION AND PREPARATION

The Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. The Reorganization has been accounted for as a combination of businesses under common control in a manner similar to the pooling-of-interests method.

The pooling-of-interests method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs in the Relevant Periods as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or any excess of the acquirer's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The acquisition of subsidiaries, other than under the Reorganization, has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All significant intra-group balances and transactions within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries, and are presented separately in the consolidated income statements and within equity in the consolidated statements of financial position, separately from the equity attributable to owners of the Company. For the year ended 31 December 2007, 2008 and 2009, the Group applies the policy of treating transactions with minority interests as transactions with equity participants of the Group. The acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration paid and the book value of the share of net assets acquired is recorded in equity.

The Financial Information has been prepared in accordance with IFRSs throughout the Relevant Periods, which comprise standards and interpretations approved by the IASB and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. All IFRSs effective for the accounting periods commencing from 1 January 2007, 2008 and 2009, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Period.

The Financial Information has been prepared under the historical cost convention. The Financial Information is prepared in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. IMPACT OF ISSUED BUT NOT EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information:

IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of IFRSs – Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters</i> ²
IFRS 9	<i>Financial Instruments</i> ⁴
IAS 24 (Revised)	<i>Related Party Disclosures</i> ³
IAS 32 Amendment	Amendment to IAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ¹
IFRIC 14 Amendment	<i>Prepayment of a Minimum Funding Requirement</i> ³
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the IASB has issued improvements to IFRSs 2010 in May 2010 which sets out a collection of amendments to IFRSs, primary with a view to removing inconsistency and clarifying wording. Except for amendments to IFRS3 and IAS27 which are effective for annual periods beginning on or after 1 July 2010, the amendments to IFRS1, IFRS7, IAS1, IAS34 and IFRIC-13 are effective for annual periods on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

The Group is in the process of making an assessment of the impact of these new, revised and amended IFRSs and IFRICs upon initial application. So far, the Group considers that these new and revised IFRS and IFRICs are unlikely to have any significant impact on the Group's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at the Financial Information set out in this report, which conform to IFRSs, are set out below:

Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

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Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognized immediately in the consolidated income statements.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, goodwill and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment

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loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its holding company;
- (e) the party is a close member of the family of any individual referred to in (a) or (c);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation.

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

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Investment and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, amounts due from directors and amounts due from related companies, which are classified as loans and receivables.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognized in the income statement in other operating expenses.

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Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;

and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating expenses in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to the related companies, amounts due to directors, interest-bearing loans and borrowings, and convertible bonds.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

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Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

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

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "finance costs" in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. The (i) adjustments on actual sales return made by customers and (ii) estimation of the sales return on goods sold by the management at the end of each reporting period based on past experience and other relevant factors (including but not limited to the length of time of the period for which the customers are entitled for returns), are recognized against the sales revenue. The relevant cost of goods sold and closing inventory are also adjusted accordingly; and
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Customer loyalty award credits are accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to the fair value which equivalent to the retail price of a list of gifts determined by the Company and is deferred until the awards are redeemed or the liability is otherwise extinguished.

Employee retirement benefits

As stipulated by the rules and regulations of the PRC, the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

Under the Mandatory Provident Fund Schemes Ordinance in HK, the Company's subsidiaries registered in HK operate a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for those employees who are eligible to participated in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries in accordance with the rules of the MPF Scheme.

The costs of employee retirement benefits are recognized as expenses in the income statement in the period in which they are incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

The Financial Information is presented in Renminbi ("RMB"), which the Company adopt as the presentation currency of the Group. The Company's functional currency is United States dollars ("USD"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain Hong Kong and overseas subsidiaries are currencies other than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Renminbi at the weighted average exchange rates for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of Hong Kong and overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Hong Kong and overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group considers various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 15.

Write-down of inventories to net realizable value

A write-down of inventories to net realizable value is made based on the estimated net realizable value of the inventories. The assessment of the write-down required involves management's judgment and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying amounts of inventories and the write-down charge/write-back of inventories in the period in which such estimate has been changed.

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Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary difference can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 24 to the Financial Information.

5. SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of clothing and clothing accessories. For management purposes, the Group operates in one business unit and has one reportable operating segment as follows:

- Clothing segment producing and trading menswear and other accessories.

No operating segments have been aggregated to form the above reportable operating segment.

As over 90% of the Group's revenue is derived from customers based in Mainland China and most of the Group's identifiable assets and liabilities are located in Mainland China, no geographical information is presented in accordance with IFRS 8 Operating Segments.

The management of the Group used the IFRS financial information for the daily operation management.

6. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue and other income is as follows:

	Years ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Revenue					
Sale of goods	<u>193,879</u>	<u>340,408</u>	<u>409,013</u>	<u>136,716</u>	<u>249,235</u>
Other income					
Interest income	1,146	226	188	102	125
Compensation income	699	1,339	646	142	300
Revenue from sale of packaging materials	–	–	439	157	347
Foreign exchange gains, net	–	340	393	249	–
Excess over the cost of a business combination (note 27)	801	–	–	–	–
Others	<u>40</u>	<u>256</u>	<u>401</u>	<u>138</u>	<u>194</u>
	<u>2,686</u>	<u>2,161</u>	<u>2,067</u>	<u>788</u>	<u>966</u>

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7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	Years ended 31 December			Six months ended	
		2007	2008	2009	30 June	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Cost of inventories sold		88,190	137,053	161,141	62,358	82,311
Depreciation	14	3,026	2,310	4,360	2,438	2,802
Auditors' remuneration		111	150	150	53	81
Operating lease rental expense						
– Minimum lease payment		16,063	17,036	13,598	6,657	7,340
– Contingent rents		10,868	28,397	39,123	15,296	28,460
Employee benefit expense (including directors' remuneration (note 9)):						
Wages and salaries		5,607	18,185	20,800	10,370	14,079
Pension scheme contributions		552	1,404	1,907	785	1,361
		<u>6,159</u>	<u>19,589</u>	<u>22,707</u>	<u>11,155</u>	<u>15,440</u>
Other expenses:						
Foreign exchange losses, net*		299	–	–	–	697
Provision for slow-moving and obsolete inventories*	16	–	4,296	1,768	–	6,072
Loss on disposal of items of property, plant and equipment*		–	967	272	275	7
Donations*		3	1,441	697	87	1,755
		<u>3</u>	<u>1,441</u>	<u>697</u>	<u>87</u>	<u>1,755</u>

* Items classified under "Other expenses" in the consolidated income statements

8. FINANCE COSTS

An analysis of finance costs is as follows:

		Years ended 31 December			Six months ended	
		2007	2008	2009	30 June	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Interest on bank loans and other loans		1,480	5,209	6,064	3,392	2,177
Interest on finance leases		16	8	1	–	–
Interest on convertible bonds		–	–	–	–	1,651
		<u>1,496</u>	<u>5,217</u>	<u>6,065</u>	<u>3,392</u>	<u>3,828</u>

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9. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Years ended 31 December			Six months ended	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	564	880	993	494	524
Pension scheme contributions	17	14	20	8	18
	<u>581</u>	<u>894</u>	<u>1,013</u>	<u>502</u>	<u>542</u>
Total	<u>581</u>	<u>894</u>	<u>1,013</u>	<u>502</u>	<u>542</u>

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2007				
Executive directors:				
Chan Yuk Ming (陳育明)	—	260	11	271
Chen Yunan (陳育南)	—	152	3	155
Chen Minwen (陳敏文)	—	152	3	155
	<u>—</u>	<u>564</u>	<u>17</u>	<u>581</u>
Year ended 31 December 2008				
Executive directors:				
Chan Yuk Ming (陳育明)	—	254	10	264
Chen Yunan (陳育南)	—	313	2	315
Chen Minwen (陳敏文)	—	313	2	315
	<u>—</u>	<u>880</u>	<u>14</u>	<u>894</u>
Year ended 31 December 2009				
Executive directors:				
Chan Yuk Ming (陳育明)	—	265	11	276
Chen Yunan (陳育南)	—	367	7	374
Chen Minwen (陳敏文)	—	361	2	363
	<u>—</u>	<u>993</u>	<u>20</u>	<u>1,013</u>

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	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension contributions scheme <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Six months ended 30 June 2010				
Executive directors:				
Chan Yuk Ming (陳育明)	–	156	6	162
Chen Yunan (陳育南)	–	184	6	190
Chen Minwen (陳敏文)	–	184	6	190
	<u>–</u>	<u>524</u>	<u>18</u>	<u>542</u>
Six months ended 30 June 2009 (unaudited)				
Executive directors:				
Chan Yuk Ming (陳育明)	–	132	6	138
Chen Yunan (陳育南)	–	181	1	182
Chen Minwen (陳敏文)	–	181	1	182
	<u>–</u>	<u>494</u>	<u>8</u>	<u>502</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The remuneration of the five highest paid employees of the Group during the Relevant Periods is analysed as follows:

	Years ended 31 December			Six months ended 30 June	
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Directors	271	894	1,013	502	380
Non-directors	765	535	764	376	708
	<u>1,036</u>	<u>1,429</u>	<u>1,777</u>	<u>878</u>	<u>1,088</u>

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Details of the remuneration of the above non-director, highest paid employees during the Relevant Periods are as follows:

	Years ended 31 December			Six months ended	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, allowances and benefits in kind	729	531	752	374	685
Pension scheme contributions	36	4	12	2	23
	<u>765</u>	<u>535</u>	<u>764</u>	<u>376</u>	<u>708</u>

The number of these non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Years ended 31 December			Six months ended	
	2007	2008	2009	2009	2010
	(unaudited)				
Nil to RMB1,000,000	<u>4</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%; 2008: 16.5%; 2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year 2010.

PRC income tax has been provided at the rate of 33% for the domestic-invested enterprises for the year ended 31 December 2007. During the 5th Session of the 10th National People's Congress which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective from 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

	Years ended 31 December			Six months ended	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Group:					
Current – PRC					
Charge for the year/period	2,366	12,037	21,449	3,772	12,623
Current – HK					
Charge for the year/period	160	143	–	–	260
Underprovision for prior year	–	19	–	–	–
Deferred (<i>note 24</i>)	<u>(3,036)</u>	<u>2,257</u>	<u>4,586</u>	<u>775</u>	<u>(4,784)</u>
Total tax charge/(credit) for the year/period	<u>(510)</u>	<u>14,456</u>	<u>26,035</u>	<u>4,547</u>	<u>8,099</u>

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A reconciliation of the income tax expense applicable to profit before tax at the statutory rate for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	Years ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	<u>48,652</u>		<u>74,934</u>		<u>130,953</u>		<u>21,248</u>		<u>78,442</u>	
Tax at the statutory tax rate	16,055	33.00	18,734	25.00	32,738	25.00	5,312	25.00	19,610	25.00
Entities subject to lower statutory income tax rates	(18,246)	(37.50)	(6,806)	(9.08)	(12,965)	(9.90)	(3,170)	(14.92)	(8,876)	(11.32)
Tax effect of change of tax rate for temporary differences	963	1.98	19	0.03	-	-	-	-	-	-
Expenses not deductible for tax	251	0.52	156	0.21	193	0.15	189	0.89	439	0.56
Income not subject to tax	(6)	(0.01)	(37)	(0.05)	(1)	-	-	-	-	-
Effect of withholding tax at 5% on the distributable profits of PRC subsidiaries (note 24)	-	-	2,288	3.05	5,578	4.26	1,748	8.23	(3,989)	(5.09)
Tax losses not recognized	473	0.97	102	0.14	731	0.56	468	2.20	915	1.17
Tax losses utilised from previous periods	-	-	-	-	(239)	(0.18)	-	-	-	-
Tax charge/(credit) at the Group's effective tax rate	<u>(510)</u>	<u>(1.05)</u>	<u>14,456</u>	<u>19.30</u>	<u>26,035</u>	<u>19.88</u>	<u>4,547</u>	<u>21.40</u>	<u>8,099</u>	<u>10.32</u>

Pursuant to 穗天國稅四減2007161號-減, 免稅批准通知書, Evergreen GD was exempted from corporate income tax for the two years ended 31 December 2007 and thereafter was entitled to a 50% reduction in the applicable tax rate for the three years ended 31 December 2010.

12. DIVIDENDS

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interim dividend	<u>-</u>	<u>-</u>	<u>54,621</u>	<u>-</u>	<u>38,647</u>

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of the Financial Information of the Group for the Relevant Periods being on a combined basis as disclosed in note 2 of Section II above.

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14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery <i>RMB'000</i>	Office and other equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2007, net of accumulated depreciation	564	225	814	796	2,399
Exchange realignment	-	(4)	(31)	(54)	(89)
Acquisition of subsidiaries (<i>note 26</i>)	-	258	262	-	520
Additions	-	1,234	1,758	1,390	4,382
Disposals	-	-	-	-	-
Depreciation provided during the year	(120)	(718)	(985)	(1,203)	(3,026)
At 31 December 2007 and 1 January 2008, net of accumulated depreciation	444	995	1,818	929	4,186
Exchange realignment	-	(2)	(15)	(56)	(73)
Additions	1,353	1,317	2,005	4,844	9,519
Disposals	-	(64)	(87)	(891)	(1,042)
Depreciation provided during the year	(356)	(392)	(476)	(1,086)	(2,310)
At 31 December 2008 and 1 January 2009, net of accumulated depreciation	1,441	1,854	3,245	3,740	10,280
Additions	27	320	3	3,658	4,008
Disposals	(267)	(14)	-	-	(281)
Depreciation provided during the year	(396)	(486)	(771)	(2,707)	(4,360)
At 31 December 2009 and 1 January 2010, net of accumulated depreciation	805	1,674	2,477	4,691	9,647
Additions	-	252	-	9,195	9,447
Disposals	-	(12)	-	-	(12)
Depreciation provided during the period	(180)	(257)	(321)	(2,044)	(2,802)
At 30 June 2010, net of accumulated depreciation	<u>625</u>	<u>1,657</u>	<u>2,156</u>	<u>11,842</u>	<u>16,280</u>
At 1 January 2007					
Cost	667	366	1,252	2,294	4,579
Accumulated depreciation	(103)	(141)	(438)	(1,498)	(2,180)
Net carrying amount	<u>564</u>	<u>225</u>	<u>814</u>	<u>796</u>	<u>2,399</u>

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	Plant and machinery <i>RMB'000</i>	Office and other equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2007 and at 1 January 2008					
Cost	667	1,924	3,318	3,529	9,438
Accumulated depreciation	(223)	(929)	(1,500)	(2,600)	(5,252)
Net carrying amount	<u>444</u>	<u>995</u>	<u>1,818</u>	<u>929</u>	<u>4,186</u>
At 31 December 2008 and at 1 January 2009					
Cost	2,020	2,925	5,062	6,835	16,842
Accumulated depreciation	(579)	(1,071)	(1,817)	(3,095)	(6,562)
Net carrying amount	<u>1,441</u>	<u>1,854</u>	<u>3,245</u>	<u>3,740</u>	<u>10,280</u>
At 31 December 2009 and at 1 January 2010					
Cost	1,430	3,218	5,065	10,492	20,205
Accumulated depreciation	(625)	(1,544)	(2,588)	(5,801)	(10,558)
Net carrying amount	<u>805</u>	<u>1,674</u>	<u>2,477</u>	<u>4,691</u>	<u>9,647</u>
At 30 June 2010					
Cost	1,430	3,354	5,065	18,371	28,220
Accumulated depreciation	(805)	(1,697)	(2,909)	(6,529)	(11,940)
Net carrying amount	<u>625</u>	<u>1,657</u>	<u>2,156</u>	<u>11,842</u>	<u>16,280</u>

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15. GOODWILL

Group

RMB'000

Acquisition of a subsidiary (note 26) and at 31 December 2007, 2008
and 2009 and 30 June 2010 1,880

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units for impairment testing. The recoverable amount is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a 3 year period. The discount rate applied to the cash flow projection is 21%. The growth rates used to extrapolate the cash flow for the 2nd and 3rd years have been assumed to be 10%.

16. INVENTORIES

Group

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

The movements in the provision for slow-moving and obsolete inventories are as follows:

		As at 31 December			As at
		2007	2008	2009	30 June
	Note	RMB'000	RMB'000	RMB'000	2010
					RMB'000
At 1 January		-	-	4,296	6,064
Charge for the year	7	<u>-</u>	<u>4,296</u>	<u>1,768</u>	<u>6,072</u>
At 31 December		<u>-</u>	<u>4,296</u>	<u>6,064</u>	<u>12,136</u>

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17. TRADE RECEIVABLES

Group

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Trade receivables	<u>77,718</u>	<u>82,747</u>	<u>55,668</u>	<u>66,392</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to three months. The Group grants longer credit periods to those long standing customers with good payment history.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

At 31 December 2007, 2008, 2009 and 30 June 2010, an aging analysis of the trade receivables, based on the invoice date, is as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Within 1 month	5,233	30,517	39,679	37,840
1 to 3 months	44,560	31,976	14,623	26,557
3 to 6 months	19,866	7,478	1,084	622
6 months to 1 year	6,792	7,881	282	1,339
Over 1 year	<u>1,267</u>	<u>4,895</u>	<u>-</u>	<u>34</u>
	<u>77,718</u>	<u>82,747</u>	<u>55,668</u>	<u>66,392</u>

An aging analysis of the trade receivables, based on the credit terms, that are neither individually nor collectively considered to be impaired, is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			< 3 months	3 to 6 months	6 months to 1 year	Over 1 year
			RMB'000	RMB'000	RMB'000	RMB'000
31 December 2007	77,718	49,793	19,866	4,933	2,598	528
31 December 2008	82,747	62,493	7,478	6,121	4,066	2,589
31 December 2009	55,668	54,302	1,084	86	196	-
30 June 2010	<u>66,392</u>	<u>64,397</u>	<u>622</u>	<u>446</u>	<u>893</u>	<u>34</u>

The trade receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

The trade receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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Trade receivables of the Group include trading balances due from a related company amounting to RMB6,949,000 as at 31 December 2007 (2008: Nil; 2009: Nil; 30 June 2010: Nil). The balances due from the related company are unsecured, interest-free and are repayable in accordance with credit terms similar to those offered to the major customers of the Group.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Prepayments	25,051	21,281	14,288	37,076
Deposits and other receivables	14,534	52,880	97,575	14,252
	<u>39,585</u>	<u>74,161</u>	<u>111,863</u>	<u>51,328</u>

The above assets were neither past due nor impaired. The financial assets included in the above balances relate to receivables for which there were no relevant history of default. The carrying amount of these financial assets approximated to their fair values.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Cash and bank balances	9,830	24,042	21,850	206,469
Time deposits	-	-	43,980	43,980
	<u>9,830</u>	<u>24,042</u>	<u>65,830</u>	<u>250,449</u>
Less: Pledged time deposits for short-term bank loans (Note 22)	-	-	(43,980)	(43,980)
Cash and cash equivalents	<u>9,830</u>	<u>24,042</u>	<u>21,850</u>	<u>206,469</u>

As at 31 December 2007, 2008, 2009 and 30 June 2010, the cash and bank balances of the Group denominated in RMB amounted to RMB6,993,000, RMB23,084,000, RMB19,533,000 and RMB183,371,000 respectively.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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20. TRADE PAYABLES

At 31 December 2007, 2008, 2009 and 30 June 2010, an aging analysis of the trade payables, based on the invoice date, is as follows:

Group

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Within 1 month	857	2,865	10,346	13,780
1 to 3 months	12,830	8,568	15,272	6,418
3 to 6 months	3,961	2,810	10,047	1,099
6 months to 1 year	6,685	3,713	632	4,530
Over 1 year	1,512	1,849	1,175	762
	<u>25,845</u>	<u>19,805</u>	<u>37,472</u>	<u>26,589</u>

Trade payables of the Group include a trading balance due to a related party of RMB5,958,000 as at 31 December 2007 (2008: Nil; 2009: Nil; 30 June 2010: Nil). The balance due to the related party is unsecured, interest-free and is repayable in accordance with normal commercial terms.

Trade payables of the Group are non interest-bearing and are normally settled on terms of three months, extending to longer periods with those long standing suppliers. The carrying amounts of the trade payables approximated to their fair values.

21. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Advances from customers	22,482	14,558	16,162	15,642
Other payables	10,680	32,410	12,821	13,160
Accruals	1,353	357	3,485	3,468
	<u>34,515</u>	<u>47,325</u>	<u>32,468</u>	<u>32,270</u>

Other payables are non interest-bearing. The carrying amount of the financial liabilities included in the above balances approximated to their fair values.

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22. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

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

Notes:

- (i) The Group's bank loans were secured by the pledge of the Group's time deposits amounting to RMB43,980,000 as at 31 December 2009 and 30 June 2010 (note 19);
- (ii) The Group's other loans were borrowed from rural credit union. Certain of other loans and trust receipt loans were secured by properties owned by certain directors (note 30(d));

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

The carrying amount of the Group's interest-bearing bank and other borrowings approximated to their fair values.

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The Group leased a motor vehicle for business purpose and the lease is classified as a finance lease. The analysis of the obligation under the finance lease is as follows:

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amount payable:								
Within one year	173	43	-	-	169	42	-	-
In the second year	44	-	-	-	41	-	-	-
	<u>217</u>	<u>43</u>	<u>-</u>	<u>-</u>	<u>210</u>	<u>42</u>	<u>-</u>	<u>-</u>
Total minimum finance lease payments	217	43	-	-	210	42	-	-
Future finance charges	(7)	(1)	-	-				
Total net finance lease payables	210	42	-	-				
Portion classified as current liabilities	(166)	(42)	-	-				
Non-current portion	<u>44</u>	<u>-</u>	<u>-</u>	<u>-</u>				

23. CONVERTIBLE BONDS

On 25 May 2010, the Company issued the redeemable convertible bonds ("Convertible Bonds") with nominal value of USD25,000,000 to Admiralfly Holdings Limited (the "Investor"). Pursuant to the subscription and sale and purchase agreement and the supplemental agreements dated 29 April 2010 and 2 August 2010, respectively (the "Agreements"), the major terms of the Convertible Bonds are set out as follows:

(a) Period

Pursuant to the Agreements, the Company shall repay the outstanding principal amount under the Convertible Bonds to the Investor with a premium equal to 10% per annum on a compound basis of such outstanding principal amount on 31 December 2013 (the "Maturity Date").

(b) Interest

The Convertible Bonds will bear interest from the date of issue at the rate of 2% per annum and calculated on a 360-day basis on the principal amount of the outstanding Convertible Bonds, which will be payable by the Company quarterly.

(c) Conversion

The Convertible Bonds will be converted into ordinary shares at the option of the bondholder at any time from the date of issue of the bond up to the Maturity Date or [●], whichever is earlier. The total number of ordinary shares to which the Investor shall be entitled is 110,021,763 subject to no adjustment.

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(d) Redemption

The Convertible Bonds are redeemable at the option of the Investor if any of the events of default as mentioned in the Agreements occurs from the date of issue of the Convertible Bonds until the Maturity Date, provided [●] has not yet, by that time, been closed (unless such event of default has been rectified to the reasonable satisfaction of the Investor prior to the early redemption date). The redemption amount shall equal to the principal amount of the outstanding Convertible Bonds together with a premium of 10% per annum on a compound basis.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option and assessed by American Appraisal China Ltd., an independent firm of qualified valuers. The residual amount is assigned as the equity component and is included in shareholder's equity.

The convertible bonds issued during the six months period ended 30 June 2010 have been split as to the liability and equity components, as follows:

	For the six months ended 30 June 2010 <i>RMB'000</i>
Nominal value of convertible bonds issued during the period	170,634
Equity component	<u>(136)</u>
Liability component at the issuance date	170,498
Interest expense	1,651
Interest paid	–
Exchange alignment	<u>(862)</u>
Liability component at 30 June 2010	<u><u>171,287</u></u>

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24. DEFERRED TAX

Group

Deferred tax assets

	Advertising and business promotion expenses RMB'000	Impairment provision RMB'000	Accelerated depreciation RMB'000	Unrealized profit on inventory RMB'000	Others RMB'000	Total RMB'000
At 1 January 2007	-	-	184	24	-	208
Acquisition of subsidiaries (note 27)	461	-	-	-	42	503
Exchange differences	-	-	(20)	-	-	(20)
Tax effect of change of tax rate for temporary differences	(89)	-	-	(874)	-	(963)
Credited/(debited) to the consolidated income statement	<u>372</u>	<u>-</u>	<u>194</u>	<u>3,430</u>	<u>(7)</u>	<u>3,989</u>
At 31 December 2007 and 1 January 2008	744	-	358	2,580	35	3,717
Exchange differences	-	-	(20)	-	-	(20)
Tax effect of change of tax rate for temporary differences	-	-	(19)	-	-	(19)
Credited/(debited) to the consolidated income statement	<u>(744)</u>	<u>868</u>	<u>(75)</u>	<u>24</u>	<u>(35)</u>	<u>38</u>
At 31 December 2008 and 1 January 2009	-	868	244	2,604	-	3,716
Credited to the consolidated income statement	<u>-</u>	<u>312</u>	<u>-</u>	<u>680</u>	<u>-</u>	<u>992</u>
At 31 December 2009 and 1 January 2010	-	1,180	244	3,284	-	4,708
Credited/(debited) to the consolidated income statement	<u>-</u>	<u>1,443</u>	<u>(244)</u>	<u>(404)</u>	<u>-</u>	<u>795</u>
At 30 June 2010	<u>-</u>	<u>2,623</u>	<u>-</u>	<u>2,880</u>	<u>-</u>	<u>5,503</u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group had tax losses arising in Hong Kong and Mainland China of RMB2.7 million, RMB0.6 million, RMB4.4 million and RMB5.3 million, respectively, that will offset against future taxable profits. Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Withholding tax on distributable profits of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2007	(25)	–	(25)
Exchange differences	2	–	2
Credited to the consolidated income statement	<u>10</u>	<u>–</u>	<u>10</u>
At 31 December 2007 and 1 January 2008	(13)	–	(13)
Exchange differences	1	–	1
Credited/(debited) to the consolidated income statement	<u>12</u>	<u>(2,288)</u>	<u>(2,276)</u>
At 31 December 2008 and 1 January 2009	–	(2,288)	(2,288)
Debited to the consolidated income statement	<u>–</u>	<u>(5,578)</u>	<u>(5,578)</u>
At 31 December 2009 and 1 January 2010	–	(7,866)	(7,866)
Credited to the consolidated income statement	–	3,989	3,989
Withholding tax paid on distributed dividend	<u>–</u>	<u>2,525</u>	<u>2,525</u>
At 30 June 2010	<u>–</u>	<u>(1,352)</u>	<u>(1,352)</u>

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

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25. ISSUED CAPITAL

	As at 31 December		As at
	2008	2009	30 June
	USD'000	USD'000	HK\$'000
Authorized:			
50,000 ordinary shares of US\$1.00 each	50	50	-
1,000,000,000 ordinary shares of HK\$0.001 each	-	-	1,000,000
	<u>50</u>	<u>50</u>	<u>1,000,000</u>

	As at 31 December		As at
	2008	2009	30 June
	RMB'000	RMB'000	2010
			RMB'000
Issued:			
1 ordinary share of US\$1.00 each	-	-	-
600,000,000 ordinary shares of HK\$0.001 each	-	-	528
	<u>-</u>	<u>-</u>	<u>528</u>

	As at 31 December		As at
	2008	2009	30 June
	RMB'000	RMB'000	2010
			RMB'000
Fully paid:			
1 ordinary share of US\$1.00 each	-	-	-
600,000,000 ordinary shares of HK\$0.001 each	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

- (a) As of the date of incorporation of the Company, its authorized share capital was US\$50,000 divided into 50,000 shares of US\$1.00 each. On the same date, one share of US\$1.00 par value was allotted and issued.
- (b) On 11 February 2010, the authorized share capital of the Company was increased by HK\$1,000,000 by creating an additional 1,000,000,000 ordinary shares of HK\$0.001 each. On the same date, the Company issued 600,000,000 ordinary shares of HK\$0.001 each to Pacific Success and repurchased the one issued share of US\$1.00 from Pacific Success, and reduced its authorized share capital by the cancellation of 50,000 shares of US\$1.00 each. As at 30 June 2010, the 600,000,000 ordinary shares have not been paid up

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26. RESERVES

Group

The amounts of the Group's reserves and the movements therein during the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Merger reserve

The merger reserve represents the difference between the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the Reorganization as detailed in note 1 above.

(b) Statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC, and were approved by the respective boards of directors.

(c) Acquisition reserve

Goodwill arising on the acquisition of minority interests was recognized as acquisition reserve.

27. BUSINESS COMBINATION

On 31 May 2007, the Group acquired a 100% equity interest in Changyue from Chen Yunan (陳育南) and Chen Minwen (陳敏文) at a consideration of RMB1,380,000, which is determined based on an independent asset valuation of Changyue as at 31 December 2006. Changyue is engaged in the trading and sale of clothing and clothing accessories (*Note 30*).

On 31 May 2007, the Group acquired a 100% equity interest in Changzhuxing from Chen Jiachang (陳甲長) and Jiang Shunzhu (江舜珠) at a consideration of RMB4,800,000, which is determined based on an independent asset valuation of Changzhuxing as at 31 December 2006. Changzhuxing is engaged in the trading and sale of clothing and clothing accessories (*Note 30*).

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The fair values of the identifiable assets and liabilities of the subsidiaries as at the date of acquisition and the corresponding carrying amounts before the acquisition were as follows:

	Notes	Changyue		Changzhuxing		Total
		Fair value recognized on acquisition RMB'000	Previous carrying amount RMB'000	Fair value recognized on acquisition RMB'000	Previous carrying amount RMB'000	Fair value recognized on acquisition RMB'000
Property, plant and equipment	14	208	208	312	312	520
Deferred tax assets	23	-	-	503	503	503
Inventories		9,220	9,220	4,669	4,669	13,889
Trade receivables		13,934	13,934	2,773	2,773	16,707
Prepayments, deposits and other receivables		7,238	7,238	2,753	2,753	9,991
Due from related parties		82	82	20,130	20,130	20,212
Cash and cash equivalents		14,701	14,701	1,013	1,013	15,714
		<u>45,383</u>	<u>45,383</u>	<u>32,153</u>	<u>32,153</u>	<u>77,536</u>
Trade payables		(4,930)	(4,930)	(4,666)	(4,666)	(9,596)
Other payables and accruals		(26,321)	(26,321)	(7,585)	(7,585)	(33,906)
Other borrowings		-	-	(16,500)	(16,500)	(16,500)
Due to directors		(250)	(250)	-	-	(250)
Due to related parties		(11,398)	(11,398)	(482)	(482)	(11,880)
Tax payable		(303)	(303)	-	-	(303)
		<u>(43,202)</u>	<u>(43,202)</u>	<u>(29,233)</u>	<u>(29,233)</u>	<u>(72,435)</u>
		<u>2,181</u>	<u>2,181</u>	<u>2,920</u>	<u>2,920</u>	<u>5,101</u>
Goodwill on acquisition	15	-	-	1,880	-	1,880
Excess over the cost of a business combination recognized in the consolidated income statement	6	(801)	-	-	-	(801)
Satisfied by cash		<u>(1,380)</u>	-	<u>(4,800)</u>	-	<u>(6,180)</u>

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries are as follows:

	RMB'000
Cash consideration	(6,180)
Cash and bank balances acquired	<u>15,714</u>
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>9,534</u>

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Since its acquisition, Changyue contributed RMB121,085,000 to the Group's turnover and RMB3,532,000 to the Group's net profit for the year ended 31 December 2007.

Since its acquisition, Changzhuxing contributed RMB22,182,000 to the Group's turnover and a loss of RMB124,000 to the Group's net profit for the year ended 31 December 2007.

Had the combinations taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 31 December 2007 would have been RMB234,419,000 and RMB47,485,000, respectively.

No intangible assets (other than goodwill) were separately identified during the acquisition.

28. PLEDGE OF ASSETS

Details of the Group's assets that are used to secure the Group's bank loans are included in note 22 to the Financial Information.

29. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its offices, factory and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from three months to five years.

At 31 December 2007, 2008, 2009 and 30 June 2010 the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Within one year	18,181	11,292	10,894	12,907
In the second to fifth years, inclusive	17,061	7,783	2,522	15,018
	<u>35,242</u>	<u>19,075</u>	<u>13,416</u>	<u>27,925</u>

30. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

(a) Name of and relationship with related parties

Name of related parties	Relationship
Chan Yuk Ming (陳育明)	Controlling Shareholder
Chen Jiachang (陳甲長)	Father of the Controlling Shareholder
Jiang Shunzhu (江舜珠)	Mother of the Controlling Shareholder
Chen Yunan (陳育南)	Brother of the Controlling Shareholder
Chen Minwen (陳敏文)	Brother of the Controlling Shareholder
Chen Mianna (陳勉娜)	Sister of the Controlling Shareholder
Zhou Chunsong (周春松)	Spouse of Chen Mianna
Guangzhou Dilai	Company controlled by Chen Yunan and Chen Minwen
Pacific Success Holdings Limited	Immediate holding company of the Company
Honour Focus (Far East) Development Limited	Company controlled by the Controlling Shareholder
Marvel Trend Limited	Company controlled by the Controlling Shareholder
New Trend Apparel Limited	Company controlled by the Controlling Shareholder
Mega Power (Asia) Investment Co. Ltd.	Company controlled by the Controlling Shareholder
Multi Shine Group Inc.	Company controlled by the Controlling Shareholder
New Asia (China) Limited	Company controlled by the Controlling Shareholder

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(b) Significant related party transactions during the Relevant Periods

	Years ended 31 December			Six months ended	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Sales of products to:					
Guangzhou Dilai*	<u>3,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Purchases of products from:					
Guangzhou Dilai*	<u>5,223</u>	<u>83</u>	<u>-</u>	<u>-</u>	<u>-</u>
Purchase of property, plant and equipment from:					
Guangzhou Dilai*	<u>1,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Purchase of equity interest from:					
Guangzhou Dilai**	<u>3,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interest income received from					
Chen Jiachang (陳甲長)	<u>982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

* The sales to and purchases from Guangzhou Dilai were made at prices and on terms and conditions as mutually agreed between the parties. In the opinion of the Directors, these related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

** Pursuant to an agreement entered into between the Group and the minority shareholder of Evergreen GD, Guangzhou Dilai, the Group purchased a 30% equity interest of Evergreen GD from Guangzhou Dilai at a consideration of HK\$4,000,000, which was mutually agreed between the parties and became effective on 8 January 2007.

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(c) Provision of guarantees by related parties

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Guarantees given by:				
Guangzhou Dilai	–	28,000	28,000	–
Chen Jiacheng (陳甲長)	–	–	–	28,000*
Chan Yuk Ming (陳育明)	5,920	4,074	–	–
Chen Minwen (陳敏文)	4,800	–	–	–
Zhou Chunsong (周春松)	9,400	4,800	–	–
	<u>20,120</u>	<u>36,874</u>	<u>28,000</u>	<u>28,000</u>

* The relevant bank loan was repaid subsequent to the end of the reporting period and the related guarantee was then released.

(d) Pledges over certain assets of the related parties

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Loans secured by:				
Residential properties owned by Chen Yunan, Chen Minwen and Zhou Chunsong (陳育南, 陳敏文, 周春松)	<u>2,300</u>	<u>24,300</u>	<u>22,000</u>	<u>–</u>

(e) Details on the acquisition of Changyue and Changzhuxing are disclosed in note 27 above. The consideration paid for the aforesaid acquisitions was mutually agreed between the parties.

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(f) **Amounts due from/to related parties**

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

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

The loans granted to Mr. Chan Jiachang were non-trade, unsecured and bore interest at a range from 0.7650% to 1.0449% in 2007, and were interest-free from January 2008 onwards.

Save for the aforesaid, the balances with related parties included net cash advances made between the Group and the related parties and various payment made by the Group on behalf of the related parties, which were unsecured, interest-free and repayable on demand.

The carrying amounts of above balances were with related parties to whom there was no recent history of default.

The carrying amounts of the balances with related parties approximated to their fair values.

The Directors confirmed that the amounts due from related parties had been settled before [●].

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(g) Amount due from/to directors

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

The amounts due from/to the directors included net cash advances made between the Group and the directors and various payments made by the Group on behalf of the directors. The balances were unsecured, interest-free and had no fixed terms of repayment. The carrying amount of the balances approximated to their fair values.

The Directors confirmed that the amounts due from the directors had been settled before [●].

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- (h) **Maximum outstanding balances due from related parties and directors disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:**

	Years ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
Amounts due from related parties:					
Pacific Success Holdings Limited	-	18	31	26	840
Guangzhou Dilai	11,868	9,259	108	108	-
Honour Focus (Far East) Development Limited	7	5	7	6	10
Marvel Trend Limited	9	5	9	8	8
New Trend Apparel Limited	5	6	9	4	4
Mega Power (Asia) Investment Co. Ltd.	10	4	6	2	6
Multi Shine Group Inc.	9	15	9	8	8
New Asia (China) Limited	115	4	1	-	4
Chen Jiachang (陳甲長)	14,402	10,293	-	-	-
Amounts due from directors:					
Chen Yunan (陳育南)	-	220	372	204	-
Chen Minwen (陳敏文)	-	40	278	230	-
Chan Yuk Ming (陳育明)	1,830	843	1,332	1,174	295

- (i) **Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 9 above.**

	Years ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	717	2,648	2,611	1,285	2,375
Pension scheme contributions	21	31	60	18	120
Total compensation paid to key management personnel	738	2,679	2,671	1,303	2,495

Further details of directors' emoluments are included in note 9 above.

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31. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands on 26 June 2008 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands. The financial position of the Company as at 31 December 2008, 2009 and 30 June 2010 is as follows:

	As at 31 December		As at
	2008	2009	30 June
	RMB'000	RMB'000	2010
			RMB'000
CURRENT ASSETS			
Cash and cash equivalents	-	-	6,633
Prepayments, deposits and other receivables	637	2,403	4,293
Due from subsidiaries	-	6,920	209,748
Total current assets	<u>637</u>	<u>9,323</u>	<u>220,674</u>
CURRENT LIABILITIES			
Other payables and accruals	-	2,830	2,583
Due to a director	-	17	-
Due to immediate holding company	-	-	37,789
Due to subsidiaries	<u>2,633</u>	<u>6,476</u>	<u>5,361</u>
Total current liabilities	<u>2,633</u>	<u>9,323</u>	<u>45,733</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>(1,996)</u>	<u>-</u>	<u>174,941</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	(1,996)	-	174,941
NON-CURRENT LIABILITIES			
Convertible bonds	-	-	171,287
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>171,287</u>
Net assets	<u>(1,996)</u>	<u>-</u>	<u>3,654</u>
EQUITY/(DEFICIT IN EQUITY)			
Issued capital	-	-	528
Equity component of convertible bonds	-	-	136
Reserves	<u>(1,996)</u>	<u>-</u>	<u>2,990</u>
Total equity/(deficit in equity)	<u>(1,996)</u>	<u>-</u>	<u>3,654</u>

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The amounts of the Company's reserves and the movements therein during the Relevant Periods are presented as follows:

	Retained profits/ (Accumulated losses) <i>RMB'000</i>
Upon incorporation	–
Loss for the period since its incorporation	(2,097)
Exchange fluctuation reserve	101
	<hr/>
At 31 December 2008 and 1 January 2009	(1,996)
Profit for the year	56,672
Exchange fluctuation reserve	(55)
Interim dividend	(54,621)
	<hr/>
At 31 December 2009 and 1 January 2010	–
Profit for the period	41,623
Exchange fluctuation reserve	14
Interim dividend	(38,647)
	<hr/>
At 30 June 2010	2,990
	<hr style="border-top: 3px double black;"/>

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32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2007, 2008, 2009 and 30 June 2010 are as follows:

2007

Group

Financial assets

	Loans and receivables <i>RMB'000</i>
Trade receivables	77,718
Financial assets included in prepayments, deposits and other receivables	14,534
Due from related parties	14,402
Cash and cash equivalents	9,830
	<hr/>
	116,484
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortized cost <i>RMB'000</i>
Trade payables	25,845
Financial liabilities included in other payables and accruals	10,680
Interest-bearing bank and other borrowings	22,630
Due to directors	29,391
Due to related parties	21,885
	<hr/>
	110,431
	<hr/> <hr/>

2008

Group

Financial assets

	Loans and receivables <i>RMB'000</i>
Trade receivables	82,747
Financial assets included in prepayments, deposits and other receivables	52,880
Due from directors	1,056
Due from related parties	18
Cash and cash equivalents	24,042
	<hr/>
	160,743
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortized cost <i>RMB'000</i>
Trade payables	19,805
Financial liabilities included in other payables and accruals	32,410
Interest-bearing bank and other borrowings	70,616
Due to directors	18,666
	<hr/>
	141,497
	<hr/> <hr/>

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ACCOUNTANTS' REPORT

2009

Group

Financial assets

	Loans and receivables <i>RMB'000</i>
Trade receivables	55,668
Financial assets included in prepayments, deposits and other receivables	97,575
Due from directors	650
Due from related parties	71
Pledged deposits	43,980
Cash and cash equivalents	21,850
	<hr/>
	219,794
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortized cost <i>RMB'000</i>
Trade payables	37,472
Financial liabilities included in other payables and accruals	12,821
Interest-bearing bank and other borrowings	93,994
Due to directors	22,768
	<hr/>
	167,055
	<hr/> <hr/>

30 June 2010

Group

Financial assets

	Loans and receivables <i>RMB'000</i>
Trade receivables	66,392
Financial assets included in prepayments, deposits and other receivables	14,252
Due from directors	148
Due from related parties	832
Pledged deposits	43,980
Cash and cash equivalents	206,469
	<hr/>
	332,073
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortized cost <i>RMB'000</i>
Trade payables	26,589
Financial liabilities included in other payables and accruals	13,160
Interest-bearing bank and other borrowings	71,417
Convertible bonds	240,554
	<hr/>
	351,720
	<hr/> <hr/>

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ACCOUNTANTS' REPORT

2008

Company

Financial liabilities

	Financial liabilities at amortized cost <i>RMB'000</i>
Due to subsidiaries	2,633
	<u>2,633</u>

2009

Company

Financial assets

	Loans and receivables <i>RMB'000</i>
Due from subsidiaries	6,920
	<u>6,920</u>

Financial liabilities

	Financial liabilities at amortized cost <i>RMB'000</i>
Due to directors	17
Due to subsidiaries	6,476
	<u>6,493</u>

30 June 2010

Company

Financial assets

	Loans and receivables <i>RMB'000</i>
Due from subsidiaries	209,748
Cash and cash equivalents	6,633
	<u>216,381</u>

Financial liabilities

	Financial liabilities at amortized cost <i>RMB'000</i>
Due to intermediate holding company	37,789
Due to subsidiaries	5,361
Convertible bonds	240,554
	<u>283,704</u>

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ACCOUNTANTS' REPORT

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, amounts due from/to related parties and directors, convertible bonds and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations.

The effective interest rates and terms of repayment of the interest-bearing bank loans of the Group are set out in note 22 above.

The following table demonstrates the sensitivity to a reasonably possible change in RMB and HKD interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) during the Relevant Periods.

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

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Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit functional currency. The Group is exposed to the foreign currency risk mainly arising from changes in the exchange rate of HKD against RMB. The Group has not hedged its foreign exchange rate risk based on the consideration that the foreign currency transactions are not significant to the Group.

The following table demonstrates the sensitivity at 31 December 2007, 2008, 2009 and 30 June 2010 to a reasonably possible change in the HKD exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
31 December 2007			
If RMB weakens against HKD	5	388	–
If RMB strengthens against HKD	(5)	(388)	–
31 December 2008			
If RMB weakens against HKD	5	(535)	–
If RMB strengthens against HKD	(5)	535	–
31 December 2009			
If RMB weakens against HKD	5	(1,120)	–
If RMB strengthens against HKD	(5)	1,120	–
30 June 2010			
If RMB weakens against HKD	5	(915)	–
If RMB strengthens against HKD	(5)	915	–

* Excluding retained profits.

Credit risk

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are dispersed. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 17 and 18 above.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, amounts due from directors and related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

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Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents and to have available funding through capital contributions and financial support from related parties and bank borrowings.

The maturity profile of non-derivative financial liabilities as at 31 December 2007, 2008, 2009 and 30 June 2010 based on the contractual undiscounted payments, is as follows:

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

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

Group	31 December 2009			Total
	On demand	Less than 1 year	Over 1 year	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	37,472	–	37,472
Other payables	2,503	10,318	–	12,821
Interest-bearing bank and other borrowings	–	96,628	–	96,628
Due to directors	22,768	–	–	22,768
	<u>25,271</u>	<u>144,418</u>	<u>–</u>	<u>169,689</u>

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

Company	31 December 2008			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Due to subsidiaries	2,633	–	–	2,633
	<u>2,633</u>	<u>–</u>	<u>–</u>	<u>2,633</u>

Company	31 December 2009			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Due to subsidiaries	6,476	–	–	6,476
Due to directors	17	–	–	17
	<u>6,493</u>	<u>–</u>	<u>–</u>	<u>6,493</u>

Company	30 June 2010			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Due to subsidiaries	5,361	–	–	5,361
Due to immediate holding company	37,789	–	–	37,789
Convertible bonds	–	3,396	237,158	240,554
	<u>43,150</u>	<u>3,396</u>	<u>237,158</u>	<u>283,704</u>

Capital management

The primary objectives of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010.

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The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. (Net debt includes trade payables, other payables and accruals, interest-bearing bank and other borrowings, finance lease payables, amounts due to related parties, amounts due to directors and less cash and cash equivalents). Capital includes convertible bonds and equity attributable to owners of the Company. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	25,845	19,805	37,472	26,589
Other payables and accruals	34,515	47,325	32,468	32,270
Interest-bearing bank and other borrowings	22,420	70,574	93,994	71,417
Finance lease payables	210	42	-	-
Due to related parties	21,885	-	-	-
Due to directors	29,391	18,666	22,768	-
	<u>134,266</u>	<u>156,412</u>	<u>186,702</u>	<u>130,276</u>
Less: Cash and cash equivalents	(9,830)	(24,042)	(21,850)	(206,469)
Net debt	<u>124,436</u>	<u>132,370</u>	<u>164,852</u>	<u>(76,193)</u>
Convertible bonds, the liability component	-	-	-	171,287
Equity attributable to owners of the Company	<u>62,569</u>	<u>123,705</u>	<u>173,925</u>	<u>207,231</u>
Adjusted capital	<u>62,569</u>	<u>123,705</u>	<u>173,925</u>	<u>378,518</u>
Capital and net debt	<u>187,005</u>	<u>256,075</u>	<u>338,777</u>	<u>302,325</u>
Gearing ratio	<u>67%</u>	<u>52%</u>	<u>49%</u>	<u>(25%)</u>

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34. FINANCIAL INFORMATION OF CHANGYUE AND CHANGZHUXING

The financial information of Changyue and Changzhuxing for the period from 1 January 2007 to 31 May 2007 is set out as follows:

(a) Income statements of Changyue and Changzhuxing

	<i>Notes</i>	For the period from 1 January 2007 to 31 May 2007	
		Changyue RMB'000	Changzhuxing RMB'000
REVENUE	(i)	49,744	13,049
Cost of sales		<u>(38,277)</u>	<u>(10,128)</u>
Gross profit		11,467	2,921
Other income	(i)	22	526
Selling and distribution costs		(9,226)	(2,494)
Administrative expenses		(1,833)	(515)
Finance costs	(iii)	<u>-</u>	<u>(621)</u>
PROFIT/(LOSS) BEFORE TAX	(ii)	430	(183)
Income tax expense	(iv)	<u>(142)</u>	<u>(115)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>288</u>	<u>(298)</u>

(b) Statements of comprehensive income of Changyue and Changzhuxing

	For the period from 1 January 2007 to 31 May 2007	
	Changyue RMB'000	Changzhuxing RMB'000
PROFIT/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>288</u>	<u>(298)</u>
Attributable to:		
Owners of Changyue/Changzhuxing	<u>288</u>	<u>(298)</u>

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(c) **Statements of financial position of Changyue and Changzhuxing**

	Notes	31 May 2007	
		Changyue RMB'000	Changzhuxing RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	(v)	208	312
Deferred tax assets	(xiii)	–	503
Total non-current assets		208	815
CURRENT ASSETS			
Inventories	(vi)	9,220	4,669
Trade receivables	(vii)	13,934	2,773
Prepayments, deposits and other receivables	(viii)	7,238	2,753
Due from related parties	(xiv)	82	20,130
Cash and cash equivalents	(ix)	14,701	1,013
Total current assets		45,175	31,338
CURRENT LIABILITIES			
Trade payables	(x)	4,930	4,666
Other payables and accruals	(xi)	26,321	7,585
Other borrowings	(xii)	–	16,500
Due to a director	(xiv)	250	–
Due to related parties	(xiv)	11,398	482
Tax payable		303	–
Total current liabilities		43,202	29,233
NET CURRENT ASSETS		1,973	2,105
Net assets		2,181	2,920
EQUITY			
Issued capital		1,000	5,000
Reserves		1,181	(2,080)
Total equity		2,181	2,920

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(d) **Statements of of changes in equity of Changyue and Changzhuxing**

	Attributable to owners of Changyue		
	Issued capital RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2007	1,000	893	1,893
Total comprehensive income	—	288	288
At 31 May 2007	<u>1,000</u>	<u>1,181</u>	<u>2,181</u>

	Attributable to owners of Changzhuxing		
	Issued capital RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2007	5,000	(1,782)	3,218
Total comprehensive income	—	(298)	(298)
At 31 May 2007	<u>5,000</u>	<u>(2,080)</u>	<u>2,920</u>

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(e) **Statements of cash flows of Changyue and Changzhuxing**

	Notes	For the period from 1 January 2007 to 31 May 2007	
		Changyue RMB'000	Changzhuxing RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		430	(183)
Adjustments for:			
Finance costs	(iii)	-	621
Interest income	(i)	(22)	(526)
Depreciation	(ii)	17	21
		<u>425</u>	<u>(67)</u>
Increase in inventories		(6,434)	(4,290)
Increase in trade receivables		(10,506)	(798)
Decrease in prepayments, deposits and other receivables		15,380	5,372
Increase in trade payables		2,130	3,147
Increase/(decrease) in other payables and accruals		10,302	(6,842)
Movement in balances with directors		450	-
Movement in balances with related parties		(7,563)	3,669
		<u>4,184</u>	<u>191</u>
Cash received from operations			
		<u>4,184</u>	<u>191</u>
Interest received		22	6
PRC tax paid		(257)	(72)
		<u>22</u>	<u>6</u>
Net cash inflows from operating activities		<u>3,949</u>	<u>125</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(54)	-
		<u>(54)</u>	<u>-</u>
Net cash outflows from investing activities		<u>(54)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New borrowing		-	2,300
Repayment of other borrowing		-	(2,300)
Interest paid		-	(600)
		<u>-</u>	<u>(600)</u>
Net cash outflows from financing activities		<u>-</u>	<u>(600)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>3,895</u>	<u>(475)</u>
Cash and cash equivalents at beginning of period		<u>10,806</u>	<u>1,488</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>14,701</u>	<u>1,013</u>

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(i) *Revenue and other income*

Revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue and other income is as follows:

	For the period from 1 January 2007 to 31 May 2007	
	Changyue	Changzhuxing
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Sale of goods	49,744	13,049
	<u> </u>	<u> </u>
Other income		
Interest income	22	526
	<u> </u>	<u> </u>

(ii) *Profit/(loss) before tax*

The profit/(loss) before tax of Changyue and Changzhuxing is arrived at after charging:

		For the period from 1 January 2007 to 31 May 2007	
	<i>Note</i>	Changyue	Changzhuxing
		<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold		38,277	10,128
Depreciation	(v)	17	21
Auditors' remuneration		3	27
Minimum lease payments under operating leases on land and buildings		1,290	302
		<u> </u>	<u> </u>
Employee benefit expense (including directors' remuneration):			
Wages and salaries		175	69
Pension scheme contributions		39	17
		<u> </u>	<u> </u>
		<u> </u>	<u> </u>
		<u> </u>	<u> </u>

(iii) *Finance costs*

An analysis of finance costs is as follows:

	For the period from 1 January 2007 to 31 May 2007	
	Changyue	Changzhuxing
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	-	621
	<u> </u>	<u> </u>

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(iv) *Income tax*

In accordance with the relevant PRC income tax rules and regulations, Changyue and Changzhuxing are subject to CIT at a statutory rate of 33% on their respective taxable income for the period from 1 January 2007 to 31 May 2007.

	For the period ended 31 May 2007	
	Changyue RMB'000	Changzhuxing RMB'000
Current – PRC		
Charge for the period	142	42
Deferred (<i>note (xiii)</i>)	–	73
Total tax charge for the period	<u>142</u>	<u>115</u>

A reconciliation of the income tax expense applicable to profit/(loss) before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	For the period from 1 January 2007 to 31 May 2007			
	Changyue		Changzhuxing	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Profit/(loss) before tax	<u>430</u>		<u>(183)</u>	
Tax at the statutory tax rate	142	33.00	(60)	33.00
Tax effect of change of tax rate for temporary differences	–	–	140	(76.50)
Tax losses not recognized	–	–	35	(19.13)
Tax charge at the effective tax rate	<u>142</u>	<u>33.00</u>	<u>115</u>	<u>(62.84)</u>

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(v) *Property, plant and equipment*

Changyue	Office and other equipment RMB'000
At 1 January 2007:	
Cost	191
Accumulated depreciation	<u>(20)</u>
Net carrying amount	<u><u>171</u></u>
At 1 January 2007, net of accumulated depreciation	171
Additions	54
Depreciation provided during the period	<u>(17)</u>
At 31 May 2007, net of accumulated depreciation	<u><u>208</u></u>
At 31 May 2007:	
Cost	245
Accumulated depreciation	<u>(37)</u>
Net carrying amount	<u><u>208</u></u>

Changzhuxing	Office and other equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2007:			
Cost	91	364	455
Accumulated depreciation	<u>(35)</u>	<u>(87)</u>	<u>(122)</u>
Net carrying amount	<u><u>56</u></u>	<u><u>277</u></u>	<u><u>333</u></u>
At 1 January 2007, net of accumulated depreciation	56	277	333
Depreciation provided during the period	<u>(7)</u>	<u>(14)</u>	<u>(21)</u>
At 31 May 2007, net of accumulated depreciation	<u><u>49</u></u>	<u><u>263</u></u>	<u><u>312</u></u>
At 31 May 2007:			
Cost	91	364	455
Accumulated depreciation	<u>(42)</u>	<u>(101)</u>	<u>(143)</u>
Net carrying amount	<u><u>49</u></u>	<u><u>263</u></u>	<u><u>312</u></u>

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(vi) *Inventories*

	31 May 2007	
	Changyue RMB'000	Changzhuxing RMB'000
Work in progress	–	29
Finished goods	9,220	4,640
	<u>9,220</u>	<u>4,669</u>

(vii) *Trade receivables*

	31 May 2007	
	Changyue RMB'000	Changzhuxing RMB'000
Trade receivables	<u>13,934</u>	<u>2,773</u>

The credit period of Changyue and Changzhuxing with their customers is generally one month, extending up to three months. Changyue and Changzhuxing grant longer credit periods to long standing customers with good payment history.

An aging analysis of the trade receivables, based on the invoice date and net of provision for impairment, is as follows:

	31 May 2007	
	Changyue RMB'000	Changzhuxing RMB'000
Within 1 month	8,305	1,389
1 to 3 months	3,079	618
3 to 6 months	987	504
6 months to 1 year	1,448	221
Over 1 year	115	41
	<u>13,934</u>	<u>2,773</u>

An aging analysis of the trade receivables, based on the credit term, that are neither individually nor collectively considered to be impaired, is as follows:

	Total RMB'000	Neither past due nor impaired RMB'000	Past due but not impaired			Over 1 year RMB'000
			< 90 days RMB'000	91 to 180 days RMB'000	181 to 360 days RMB'000	
Changyue	<u>13,934</u>	<u>11,384</u>	<u>987</u>	<u>1,100</u>	<u>463</u>	<u>–</u>
Changzhuxing	<u>2,773</u>	<u>2,007</u>	<u>504</u>	<u>145</u>	<u>76</u>	<u>41</u>

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(viii) *Prepayments, deposits and other receivables*

	31 May 2007	
	Changyue RMB'000	Changzhuxing RMB'000
Prepayments	5,870	1,624
Deferred expense	1,003	401
Deposits and other receivables	365	728
	<u>7,238</u>	<u>2,753</u>

The above assets were neither past due nor impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

(ix) *Cash and cash equivalents*

	31 May 2007	
	Changyue RMB'000	Changzhuxing RMB'000
Cash and bank balances	<u>14,701</u>	<u>1,013</u>

(x) *Trade payables*

An aging analysis of the trade payables, based on the invoice date, is as follows:

	31 May 2007	
	Changyue RMB'000	Changzhuxing RMB'000
Within 1 month	4,676	3,818
1 to 3 months	78	432
3 to 6 months	30	31
6 months to 1 year	146	-
Over 1 year	-	385
	<u>4,930</u>	<u>4,666</u>

The trade payables are non interest-bearing and are normally settled on terms of 90 days.

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(xi) *Other payables and accruals*

	31 May 2007	
	Changyue RMB'000	Changzhuxing RMB'000
Advance from customers	25,171	6,410
Other payables	910	1,175
Accruals	240	–
	<u>26,321</u>	<u>7,585</u>

The other payables are non interest-bearing.

(xii) *Other borrowings*

	Effective interest rate (%)	Changzhuxing	
		Maturity	Amount RMB'000
Current			
Other loans – secured	9.18	2008	2,300
Other loans – unsecured	11.76-12.54	2008	14,200
			<u>16,500</u>
Denominated in RMB			<u>16,500</u>

(xiii) *Deferred tax*

Changzhuxing	Advertising and business promotion expenses	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2007	514	62	576
Credited to the income statement for the period (note (iv))	<u>(53)</u>	<u>(20)</u>	<u>(73)</u>
At 31 May 2007	<u>461</u>	<u>42</u>	<u>503</u>

APPENDIX I

ACCOUNTANTS' REPORT

(xiv) *Balances with related parties*

(a) Amount due from/to related parties

	31 May 2007	
	Changyue RMB'000	Changzhuxing RMB'000
Amounts due from:		
廣州長珠興貿易有限公司	82	–
長興(廣東)服飾有限公司	–	1,817
Guangzhou Dilai	–	4,140
Chen Jiachang (陳甲長)	–	14,173
	<u>82</u>	<u>20,130</u>

	31 May 2007	
	Changyue RMB'000	Changzhuxing RMB'000
Amounts due to:		
廣州長越貿易有限公司	–	82
長興(廣東)服飾有限公司	5,025	–
Guangzhou Dilai	5,873	–
Chen Jiachang (陳甲長)	500	400
	<u>11,398</u>	<u>482</u>

(b) Amount due to director

	31 May 2007	
	Changyue RMB'000	Changzhuxing RMB'000
Chen Minwen (陳敏文)	250	–
	<u>250</u>	<u>–</u>

35. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent events undertaken by the Company or by the Group after 30 June 2010.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2010.

APPENDIX IV

PROPERTY VALUATION

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this document received from CB Richard Ellis Limited, an independent valuer, in connection with their valuations as at 31 August 2010 of our property interests.

CBRE
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Estate Agent's Licence No: C-004065

[●] 2010

The Board of Directors
Evergreen International Holdings Limited
Room 1303 New East Ocean Center,
No.9 Science Museum Road,
Tsim Sha Tsui East, Kowloon,
Hong Kong

Dear Sirs,

In accordance with your instructions to us to value the property interests held by Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") in the People's Republic of China (the "PRC"), Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 31 August 2010 (the "date of valuation").

Our valuation is our opinion of market value which is defined by the HKIS Valuation Standards on Properties to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors (the "HKIS"). We have also complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5, Practice Note 12 and Practice Note 16 of the [●].

APPENDIX IV

PROPERTY VALUATION

Our valuation has been made on the assumption that the owner sells the properties on the open market without any benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

In valuing of the property interests in Group I and Group II, which are rented by the Group in the PRC and Hong Kong respectively, we have attributed no commercial value to the property interests due to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

In the course of our valuation for the property interests rented by the Group in the PRC, we have relied on the legal opinion provided by the Group's PRC legal advisor, GFE Law Office (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given and pre-sold the Group, in particular, but not limited to, statutory notices, easements, tenancies, floor areas. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Hong Kong Dollars ("HKD").

We enclose herewith a summary of values and our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Leo M. Y. Lo
MHKIS MRICS
Director

Note: Mr. Lo is a member of the Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has over 7 years' valuation experience in the PRC, Hong Kong and Asia-Pacific Region.

SUMMARY OF VALUES

Property interests	Capital value in the existing state as at 31 August 2010
Group I – Property interests rented by the Group in the PRC	
1. No.23, Pingbu Avenue, Shiling Town, Huadu District, Guangzhou, Guangdong Province, the PRC	No commercial value
2. 3, 4, 5 Floor Warehouse A, Transaction Station, Xiwan Road, Liwan District, Guangzhou, Guangdong Province, the PRC	No commercial value
3. No.2 Dry Warehouse, No.5 Shuichang Road, Liwan District, Guangzhou, Guangdong Province, the PRC	No commercial value
4. Unit 10, Level 1, Guangdong Asia Internation Hotel, Huanshi Road East, Yuexiu District, Guangzhou, Guangdong Province, the PRC	No commercial value
5. Unit 1-29, Level 26, Guangzhou Department Store Building Business Block, No.12 Xihu Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	No commercial value
6. Level 28, Guangzhou Department Store Building, No.12 Xihu Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	No commercial value
7. Unit 302, No.1 Hongqiao Road, Xuhui District, Shanghai, the PRC	No commercial value
8. Unit D, 5th Floor, Junzilan Apartment, No.125 Changning Road, Shanghai, the PRC	No commercial value
9. A unit located in Walton Hotel, Nanning, Guangxi Province, the PRC	No commercial value
10. A unit located in Nanning Dream Island Department, No.49 Mingzhu Avenue, Nanning, Guangxi Province, the PRC	No commercial value
11. Room 101, Unit 2, Block 18, located in No.13, Old Town Road, Nanning City, Guangxi Province, the PRC	No commercial value

APPENDIX IV

PROPERTY VALUATION

Property interests	Capital value in the existing state as at 31 August 2010
12. A unit located in Level 1, Dayang Department Store Fuzhou second branch, Fuzhou, Fujian Province, the PRC	No commercial value
13. Room 801, Unit 11, Block 8, No. 1 Garden, Jinchan Huanle Garden, Huaqiao City, Jinchan Road, Chaoyang District, Beijing, the PRC	No commercial value
14. Unit 5-501, Yuyang Building, Hedong District, Tianjin, the PRC	No commercial value
15. Unit 8, 23/F, Block C, Tong Cheng Plaza Phase I, Jiang Han District, Wuhan City, Hubei Province, the PRC	No commercial value
16. Unit 307, Block A3, Zone 4, Guolian xiaoqu, Chongqing Road, Chaoyang District, Changchun, Jilin Province, the PRC	No commercial value
17. Room 2306, Unit C Phase II, Hexin Garden, No. 668 Beijing Road, Kunming City, Yunnan Province, the PRC	No commercial value
18. Unit 14-09, Block B, City Heart, Duan Lv Men, Xian District, Shaanxi Province, the PRC	No commercial value
Sub-total:	<u>No commercial value</u>
 Group II – Property interests rented by the Group in Hong Kong	
19. Shop A, G/F, Manson House, No. 74-78 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong	No commercial value
20. Room 1303, New East Ocean Center, No. 9 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong	No commercial value
21. Shop No. 2 on the First Floor of Isquare, Nos. 35-79 Nathan Road, Nos18-20 Peking Road and Nos. 10-30 Lock Road, Kowloon, Hong Kong	No commercial value
22. Shop No.8B on the First Floor of Isquare, Nos. 35-79 Nathan Road, Nos18-20 Peking Road and Nos.10-30 Lock Road, Kowloon, Hong Kong	No commercial value
Sub-total:	<u>No commercial value</u>
Grand total:	<u><u>No commercial value</u></u>

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group I – Property interests rented by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
1. No.23, Pingbu Avenue, Shiling Town, Huadu District, Guangzhou, Guangdong Province, the PRC	The property has a total leasable area of approximately 4,000 sq.m. Pursuant to the Tenancy Agreement, the property is leased from Guangzhou Licheng Shuidian Installation Project Limited, an independent third party to Evergreen Guangdong for a term commencing from 1 January 2008 and expiring on 30 June 2011, at a monthly rental of RMB16,000.	The property is occupied by the Group as workshop.	No commercial value

Notes:

1. Pursuant to the Real Estate Title Certificate Yue Fang Di Zheng Zi No. C4246764 dated 4 August 2006, the property with a total leasable area of approximately 4,722.16 sq.m. is held by Guangzhou Licheng Shuidian Installation Project Limited for industrial use with the expiry date on 24 December 2053.
2. We have been advised that the registered owners are independent third parties from the Group.
3. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i The lessor has obtained the ownership of the property and has the rights to lease the property.
 - ii The tenancy agreement is legal, valid and enforceable.
 - iii The Group has the rights to use the property under the lease term.
 - iv The tenancy agreement has been registered with the relevant government authorities.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
2. 3, 4, 5 Floor Warehouse A, Transaction Station, Xiwan Road, Liwan District, Guangzhou, Guangdong Province, the PRC	As advised by the Group, the property has a total leasable area of approximately 2,620 sq.m. Pursuant to the Tenancy Agreement, the property is leased from Guangdong Huada Logistics Company, an independent third party to Guangzhou Changyue for a term commencing from 1 December 2009 and expiring on 30 November 2011, at a monthly rental of RMB47,160.	The property is occupied by the Group as warehouse.	No commercial value

Notes:

1. We have been advised that the registered owners are independent third parties from the Group.
2. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i We have not been provided the Realty Title Certificate of which may lead to the lessor deprived of legal right to own and lease the property and then the tenancy agreement may deem to be invalid and thereof, cause the Group to be deprived of rights stated in the tenancy agreement, however, the Group could claim for remedy from the lessor if the fault in lessor.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities, however, the validity of such non-registered tenancy agreement will not be affected.
 - iii The Group as lessee will not suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
3. No.2 Dry Warehouse, No.5 Shuichang Road, Liwan District, Guangzhou, Guangdong Province, the PRC	<p>The property has a total leasable area of approximately 240 sq.m.</p> <p>Pursuant to the Tenancy Agreement, the property is leased from Guangdong Guanghong Food Group Limited, an independent third party to Guangzhou Changzhuxing for a term commencing from 1 July 2010 and expiring on 31 October 2010, at a monthly rental of RMB4,320.</p>	The property is occupied by the Group as warehouses.	No commercial value

Notes:

1. We have been advised that the registered owners are independent third parties from the Group.
2. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i We have not been provided the Realty Title Certificate of which may lead to the lessor deprived of legal right to own and lease the property and then the tenancy agreement may deem to be invalid and thereof, cause the Group to be deprived of rights stated in the tenancy agreement, however, the Group could claim for remedy from the lessor if the fault in lessor.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities, however, the validity of such non-registered tenancy agreement will not be affected.
 - iii The Group as lessee will not suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
4. Unit 10, Level 1, Guangdong Asia International Hotel, Huanshi Road East, Yuexiu District, Guangzhou, Guangdong Province, the PRC	<p>The property has a total leasable area of approximately 145.68 sq.m.</p> <p>Pursuant to the Tenancy Agreement, the property is leased from Guangdong Asia International Hotel, an independent third party to Guangzhou Changyue for a term commencing from 8 May 2010 and expiring on 7 May 2011, at a monthly rental of RMB80,000, including management fee.</p>	The property is occupied by the Group as retail shop.	No commercial value

Notes:

1. Pursuant to the Realty Title Certificate Yue Fang Di Zheng Zi No. C1617628 dated 17 April 2003, the property is held by Guang Dong Guang Cheng Asset Management Limited for commercial use with the expiry date on 22 September 2034.
2. We have been advised that the registered owners are independent third parties from the Group.
3. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i The tenancy agreement is legal, valid and enforceable.
 - ii The tenancy agreement has been registered with the relevant real estate authorities.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
5. Unit 1-29, Level 26, Guangzhou Department Store Building Business Block, No.12 Xihu Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	<p>The property for Unit 01-12 and Unit 13-29 has a total leasable area of approximately 868.25 sq.m. and 1,328.2521 sq.m. respectively.</p> <p>Pursuant to the Tenancy Agreements, the property is leased from Guangzhou HuiPai Trading Limited, an independent third party to Guangzhou Changzhuxing for Unit 01-12; Guangzhou Changyue for Unit 13-29 for a term commencing from 1 April 2010 and expiring on 31 March 2015, at a monthly rental of RMB41,161 and RMB62,970 respectively.</p>	The property is occupied by the Group as office.	No commercial value

Notes:

1. We have been advised that the registered owners are independent third parties from the Group.
2. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i We have not been provided the valid certificate of which may lead to the lessor the deprived of legal right to own and lease the property and then the tenancy agreement may deem to be invalid and thereof, cause the Group to the deprived of rights stated in the tenancy agreement, however, the Group could claim for remedy from the lessor if the fault in lessor.
 - ii The tenancy agreements have been registered with the relevant government authorities.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
6. Level 28, Guangzhou Department Store Building, No.12 Xihu Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	The property has a total leasable area of approximately 2,196.50 sq.m. Pursuant to the Tenancy Agreement, the property is leased from Guangzhou Yuexiu Property Management Limited, an independent third party to Guangzhou Changyue for a term commencing from 1 August 2009 and expiring on 31 March 2011, at a monthly rental of RMB103,235.60.	The properties are occupied by the Group as office.	No commercial value

Notes:

1. Pursuant to the Realty Title Certificate Sui Fang Di Zheng Zi No. 0373233, the property with a total gross floor area of approximately 2,196.50 sq.m. is held by Yao Kang Corporate Limited for commercial use with the expiry date on 7 September 2042.
2. We have been advised that the registered owners are independent third parties from the Group.
3. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i The tenancy agreement has been registered with the relevant real estate authorities.
 - ii The tenancy agreement is legal, valid and enforceable.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
7. Unit 302, No.1 Hongqiao Road, Xuhui District, Shanghai, the PRC	<p>The property has a total leasable area of approximately 75 sq.m.</p> <p>Pursuant to the Tenancy Agreement, the property is leased from Shanghai Ganghui Property Development Limited, an independent third party to Guangzhou Changyue for a term commencing from 13 June 2009 and expiring on 12 June 2011, at monthly rental for the first year of RMB111,781 or 22% of monthly revenue, whichever is higher; the second year of RMB122,959 or 22% of monthly revenue, whichever is higher.</p>	The property is occupied by the Group as retail.	No commercial value

Notes:

1. Pursuant to the Real Estate Title Certificate Hu Fang Di Xu Zi (2005) No. 023945 dated 30 June 2005, the property with a total leasable area of approximately 75 sq.m. is held by Shanghai Ganghui Property Development Limited for commercial use with the expiry date on 7 March 2043.
2. We have been advised that the registered owners are independent third parties from the Group.
3. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i The tenancy agreement is legal, valid and enforceable.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities and any third party could not be against, however, the validity of such non-registered tenancy agreement will not be affected.
 - iii The Group will not suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
8. Unit D, 5th Floor, Junzilan Apartment, No.125 Changning Road, Shanghai, the PRC	The property has a total leasable area of approximately 125 sq.m. Pursuant to the Tenancy Agreement, the property is leased from Xin Tai Securities Limited, an independent third party to Guangzhou Changye for a term commencing from 21 March 2010 and expiring on 20 March 2012, at a monthly rental of RMB4,000.	The property is occupied by the Group for office use.	No commercial value

Notes:

1. We have been advised that the registered owners are independent third parties from the Group.
2. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i We have not been provided the Realty Title Certificate of which may lead to the lessor deprived of legal right to own and lease the property and then the tenancy agreement may deem to be invalid and thereof, cause the Group to be deprived of rights stated in the tenancy agreement, however, the Group could claim for remedy from the lessor if the fault in lessor.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities and any third party could not be against, however, the validity of such non-registered tenancy agreement will not be affected.
 - iii The Group will not suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
9. A unit located in Walton Hotel, Nanning, Guangxi Province, the PRC	<p>The property has a total leasable area of approximately 123 sq.m.</p> <p>Pursuant to the Tenancy Agreement, the property is leased from Nanning Shenhao Cloth Management Limited, an independent third party to Guangzhou Changyue for a term commencing from 1 May 2009 and expiring on 30 April 2011, at a monthly rental of RMB79,681.98.</p>	The property is occupied by the Group as retail.	No commercial value

Notes:

1. We have been advised that the registered owners are independent third parties from the Group.
2. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i We have not been provided the Real Estate Title Certificate of which may lead to the lessor deprived of legal right to own and lease the property and then the tenancy agreement may deem to be invalid and thereof, cause the Group to be deprived of rights stated in the tenancy agreement, however, the Group could claim for remedy from the lessor if the fault in lessor.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities, however, the validity of such non-registered tenancy agreement will not be affected.
 - iii If no registration before the due date designated by the relevant real estate authorities, there will be penalty to the Group of RMB10,000 or below, in accordance with the relevant PRC laws and regulations.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
10. A unit located in Nanning Dream Island Department, No.49 Mingzhu Avenue, Nanning, Guangxi Province, the PRC	<p>The property has a total leasable area of approximately 107 sq.m.</p> <p>Pursuant to the Tenancy Agreement, the property is leased from Guangxi Nanning Dream Island Department Limited, an independent third party to Guangzhou Changzhuxing for a term commencing from 24 December 2008 and expiring on 23 December 2011, at a monthly rental of RMB53,500, exclusive for a period of 24 December 2008 to 23 March 2009.</p>	The property is occupied by the Group as retail.	No commercial value

Notes:

1. We have been advised that the registered owners are independent third parties from the Group.
2. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i We have not been provided the Realty Title Certificate of which may lead to the lessor deprived of legal right to own and lease the property and then the tenancy agreement may deem to be invalid and thereof, cause the Group to be deprived of rights stated in the tenancy agreement, however, the Group could claim for remedy from the lessor if the fault in lessor.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities, however, the validity of such non-registered tenancy agreement will not be affected.
 - iii The tenancy agreement has not been registered with the relevant real estate authorities, if no registration before the due date designated by the relevant real estate authorities, there will be penalty to the Group of RMB10,000 or below, in accordance with the relevant PRC laws and regulations.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
11. Room 101, Unit 2, Block 18, located in No.13, Old Town Road, Nanning City, Guangxi Province, the PRC	The property has a total leasable area of approximately 74.63 sq.m. Pursuant to the Tenancy Agreement, the property is leased from Liu Yong Bao, an independent third party to Guangzhou Changyue for a term commencing from 15 September 2009 and expiring on 14 September 2010, at a monthly rental of RMB1,500.	The property is occupied by the Group as office.	No commercial value

Notes:

1. Pursuant to the Building Ownership Certificate, the property with a total leasable area of approximately 74.63 sq.m. is held by Liu Shun Cheng.
2. We have been advised that the registered owners are independent third parties from the Group.
3. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i We have not been provided the valid certificate of which may lead to the lessor deprived of legal right to own and lease the property and then the tenancy agreement may deem to be invalid and thereof, cause the Group to be deprived of rights stated in the tenancy agreement, however, the Group could claim for remedy from the lessor if the fault in lessor.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities, however, the validity of such non-registered tenancy agreement will not be affected.
 - iii If no registration before the due date designated by the relevant real estate authorities, there will be penalty to the Group of RMB10,000 or below, in accordance with the relevant PRC laws and regulations.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
12. A unit located in Level 1, Dayang Department Store Fuzhou second branch, Fuzhou, Fujian Province, the PRC	<p>The property has a total leasable area of approximately 319.50 sq.m.</p> <p>Pursuant to the Tenancy Agreement, the property is leased from Fuzhou Dayang Department Store Limited, an independent third party to Guangzhou Changzhuxing for a term commencing from 1 February 2008 and expiring on 31 January 2011, at a monthly rental of RMB76,600.</p>	The properties are occupied by the Group as retail.	No commercial value

Notes:

1. Pursuant to the Building Ownership Certificate Rong Fang Quan Zheng R Zi No. 0968000, the property with a total leasable area of approximately 319.50 sq.m. is held by Fuzhou Dayang Department Store Limited for commercial use.
2. We have been advised that the registered owners are independent third parties from the Group.
3. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i The tenancy agreement is legal, valid and enforceable.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities and any third party could not be against, however, the validity of such non-registered tenancy agreement will not be affected.
 - iii The Group as lessee will not suffer from any administrative penalty.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
13. Room 801, Unit 11, Block 8, No. 1 Garden, Jinchan Huanle Garden Huaqiao City, Jinchan Road, Chaoyang District, Beijing, the PRC	The property has a total leasable area of approximately 166.16 sq.m. Pursuant to the Tenancy Agreement, the property is leased from Shi Quan, an independent third party to Guangzhou Changyue for a term commencing from 15 July 2010 and expiring on 14 July 2011, at a monthly rental of RMB4,500.	The property is occupied by the Group as office.	No commercial value

Notes:

1. Pursuant to the Building Ownership Certificate Jin Fang Quan Zheng Chao Shi Zi No. 525048, the property with a total leasable floor area of approximately 166.16 sq.m. is held by Shi Quan for residential use.
2. We have been advised that the registered owners are independent third parties from the Group.
3. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i The tenancy agreement is legal, valid and enforceable.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities, however, the validity of such non-registered tenancy agreement will not be affected.
 - iii The Group may suffer from penalty of RMB200 to RMB500 if the lease, change or cancellation of the tenancy agreement could not be registered, in accordance with the relevant PRC laws and regulations.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
14. Unit 5-501, Yuyang Building, Hedong District, Tianjin, the PRC	<p>The property has a total leasable area of approximately 159.27 sq.m.</p> <p>Pursuant to the Tenancy Agreement, the property is leased from Wang Zhi Qiang, an independent third party to Guangzhou Changyue for a term commencing from 8 September 2010 and expiring on 7 September 2011, at a monthly rental of RMB3,800.</p>	The property is occupied by the Group as office.	No commercial value

Notes:

1. Pursuant to the Building Ownership Certificate He Dong Zi No.020221091, the property with a total leasable area of approximately 159.27 sq.m. is held by Wang Zhi Qiang for residential use with the expiry date on 7 September 2011.
2. We have been advised that the registered owners are independent third parties from the Group.
3. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i The lessor has obtained the ownership of the property and has the rights to lease the property.
 - ii The tenancy agreement is legal, valid and enforceable.
 - iii The Group has the rights to use the property under the lease term.
 - iv The tenancy agreement has not been registered with the relevant real estate authorities, any third party could not be against and the Group may suffer from penalty of RMB30,000 or below if no registration could be done on or before the due date designated by the relevant real estate authorities in accordance with the relevant PRC laws and regulations.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
15. Unit 8, 23/F, Block C, Tong Cheng Plaza Phase I, Jiang Han District, Wuhan City, Hubei Province, the PRC	The property has a total leasable area of approximately 115.71 sq.m. Pursuant to a Tenancy Agreement, the property is leased from Zhang Di Kao, an independent third party to Guangzhou Changyue for a term commencing from 8 April 2010 and expiring on 7 April 2011, at a quarterly rental of RMB7,000.	The property is occupied by the Group as office.	No commercial value

Notes:

1. Pursuant to the Building Ownership Certificate issued by Wuhan Real Estate Registration Certification Center, the property with a total leasable area of approximately 115.71 sq.m. is held by Zhang Di Kao for residential use.
2. We have been advised that the registered owners are independent third parties from the Group.
3. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i The tenancy agreement is legal, valid and enforceable.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities, there will be penalty to the Group of 10 months rental or below in accordance with the relevant PRC laws and regulations, however, the validity of such non-registered tenancy agreement will not be affected.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
16. Unit 307, Block A3, Zone 4, Guolian xiaoqu, Chongqing Road, Chaoyang District, Changchun, Jilin Province, the PRC	The property has a total leasable area of approximately 67.35 sq.m. Pursuant to the Tenancy Agreement, the property is leased from Changchun City Yong Wei Trading Limited, an independent third party to Guangzhou Changyue for a term commencing from 15 September 2009 and expiring on 15 September 2010, at a monthly rental of RMB2,000.	The property is occupied by the Group as office.	No commercial value

Notes:

1. Pursuant to the Building Ownership Certificate, the property with a total leasable area of approximately 67.35 sq.m. is held by Li Ling for residential use.
2. We have been advised that the registered owners are independent third parties from the Group.
3. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i The tenancy agreement is legal, valid and enforceable.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities, however, the validity of such non-registered tenancy agreement will not be affected.
 - iii The Group as lessee will not suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
17. Room 2306, Unit C Phase II, Hexin Garden, No.668 Beijing Road, Kunming City, Yunnan Province, the PRC	The property has a total leasable area of approximately 118.99 sq.m. Pursuant to a Tenancy Agreement, the property is leased from Dai Tian Wen, an independent third party to Guangzhou Changyue for a term commencing from 20 May 2010 and expiring on 19 May 2011, at a monthly rental of RMB2,900.	The property is occupied by the Group as office.	No commercial value

Notes:

1. Pursuant to the Personal Housing Fund Replacement Combination Loan Contract, the property with a total leasable area of approximately 118.99 sq.m. is held by Dai Tian Wen and Yang Jie for residential use.
2. We have been advised that the registered owners are independent third parties from the Group.
3. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, *inter alia*, the following:
 - i The tenancy agreement is legal, valid and enforceable.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities, there will be penalty to the Group of RMB2,000 or up to RMB5,000 if the registration could not be done in the designated time period in accordance with the relevant PRC laws and regulations, however, the validity of such non-registered tenancy agreement will not be affected.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
18. Unit 14-09, Block B City Heart, Duan Lv Men, Xian District, Shaanxi Province, the PRC	The property has a total leasable area of approximately 277.88 sq.m. Pursuant to a Tenancy Agreement, the property is leased from Liu Xiao Bin, an independent third party to Guangzhou Changyue for a term commencing from 1 August 2010 and expiring on 31 July 2011, at a monthly rental of RMB4,500.	The property is occupied by the Group as office.	No commercial value

Notes:

1. Pursuant to Xian City Commercial Housing Sale Contract, the property with a total gross floor area of approximately 277.88 sq.m. is held by Liu Xiao Bin for residential use.
2. We have been advised that the registered owners are independent third parties from the Group.
3. We have been provided with a legal opinion on the legality of the tenancy agreement of the property by the Company's PRC legal advisors, which contains, inter alia, the following:
 - i The tenancy agreement is legal, valid and enforceable.
 - ii The tenancy agreement has not been registered with the relevant real estate authorities, there will be no penalty to the Group as leasee in accordance with the relevant PRC laws and regulations, and the validity of such non-registered tenancy agreement will not be affected.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II – Property interests rented by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
19. Shop A, G/F, Manson House, No. 74-78 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong	The property has a total leasable area of approximately 1,050 sq.ft. Pursuant to the Tenancy Agreement, the property is leased from GIORDANO Limited, an independent third party to Master (Hong Kong) Marketing Limited for a term commencing from 29 September 2007 and expiring on 28 September 2010, at a monthly rental of HK\$303,800.	The property is occupied by the Group as retail.	No commercial value

Notes:

1. The registered owner of the property is Henry Fok Estates Limited.
2. We were advised that the registered owner is an independent third party of the Group.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
20. Room 1303, New East Ocean Center, No. 9 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong	The property has a total leasable area of approximately 1,750 sq.ft. Pursuant to the Tenancy Agreement, the property is leased from Able Land International Limited, an independent third party to Evergreen (Asia) Trading Company Limited for a term commencing from 15 December 2008 and expiring on 14 December 2010, at a monthly rental of HK\$46,000.	The property is occupied by the Group as office.	No commercial value

Notes:

1. The registered owner of the property is Able Land International Limited.
2. We were advised that the registered owner is an independent third party of the Group.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
21. Shop No. 2 on the First Floor of Isquare, Nos. 35-79 Nathan Road, Nos 18-20 Peking Road and Nos. 10-30 Lock Road, Kowloon, Hong Kong	The property has a total leasable area of approximately 3,664 sq.ft. Pursuant to a Tenancy Agreement, the property is leased from Associated International Hotels Limited, an independent third party to Master (Hong Kong) Marketing Limited for a term commencing from 23 February 2010 and expiring on 22 February 2013, at a monthly rental of HK\$219,840.	The property is occupied by the Group as retail.	No commercial value

Notes:

1. The registered owner of the property is ASSOCIATED INTERNATIONAL HOTELS LIMITED.
2. We were advised that the registered owner is an independent third party of the Group.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in the existing state as at 31 August 2010
22. Shop No. 8B on the First Floor of Isquare, Nos. 35-79 Nathan Road, Nos 18-20 Peking Road and Nos. 10-30 Lock Road, Kowloon, Hong Kong	The property has a total leasable area of approximately 1,762 sq.ft. Pursuant to a Tenancy Agreement, the property is leased from Associated International Hotels Limited, an independent third party to Master (Hong Kong) Marketing Limited for a term commencing from 23 February 2010 and expiring on 22 February 2013, at a monthly rental of HK\$105,720.	The property is occupied by the Group as retail.	No commercial value

Notes:

1. The registered owner of the property is ASSOCIATED INTERNATIONAL HOTELS LIMITED.
2. We were advised that the registered owner is an independent third party of the Group.

APPENDIX V	SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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SUMMARY OF THE CONSTITUTION OF THE COMPANY

1. Memorandum Of Association

The Memorandum of Association of the Company was adopted on 8 October 2010 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

2. Articles Of Association

The Articles of Association of the Company were adopted on 8 October 2010 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles of Association is HK\$10,000,000 divided into 10,000,000,000 shares of HK\$0.001 each.

2.2 *Directors*

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine, provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting". Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

APPENDIX V	SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

APPENDIX V	SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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- (f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if he is in any way, directly or indirectly, interested in such contract or arrangement or proposed contract or arrangement, declare the nature of his interest at the meeting of the board of Directors at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the board or Directors after he knows that he is or has become so interested, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

APPENDIX V	SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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- (iv) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;
- (v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (C) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.
- (g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a

APPENDIX V	SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting (other than an adjourned meeting) shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

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The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of Capital*

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares of any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

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The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under [●], required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

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A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognized clearing house (or its nominee) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee) which he represents as that recognized clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorization.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the [●] may authorize) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

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The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall at least 21 clear days before the date of the meeting, be delivered or sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by notice of not less than 21 clear days and any other extraordinary general meeting shall be called by not less than 14 clear days. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

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- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in [●]) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the [●].

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

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The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the [●] may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to [●], by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than whole 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own Shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the [●].

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2.13 Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distributions

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so

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allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

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2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company

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shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of

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forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to [●], by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than whole 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year). In lieu of, or apart from, closing the register of members pursuant to other provisions in the Articles of Association, the board of Directors may fix in advance a date as the record date for any such determination of members entitled to receive notice of, or to vote at any general meeting of the members or any adjournment thereof, or for the purpose of determining the members entitled to receive payment of any dividend or distribution or in order to make a determination of members for any other purpose.

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under [●]) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

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The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares sent during the 12-year period have remained uncashed; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have

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become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to [●], by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months (or such shorter period as may be allowed by the [●]) has elapsed since such advertisement and the [●] has been notified of such intention. The net proceeds of [●] shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

For the purpose of the foregoing, the "12-year period" means the period commencing twelve (12) years before the date of publication of the advertisement referred to in item (iv) of the above paragraph and ending at the expiry of the period referred to therein.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 June 2008, under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3. Share capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies

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Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

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There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

5. Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

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7. Disposal of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. Accounting and auditing requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of

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which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12. Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

14. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

15. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

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16. Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

17. Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

18. Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has applied for, and can expect to obtain an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of twenty years from the date of the undertaking.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

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19. Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

20. General

Maples and Calder the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

I. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 June 2008. The Company has established its principal place of business in Hong Kong at Rooms 1305–1307, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance since 29 July 2010. In connection with such registration, the Company has appointed Mr. Chan of Flat A, 10/F, Block 5, 2 Yin Ping Road, Dynasty Heights, Tropicana, Kowloon Tong, Kowloon, Hong Kong as the authorized representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of various provisions of the Company's constitution and certain relevant aspects of the Companies Law is set out in Appendix V to this document.

2. Changes in the share capital of the Company

As at the date of incorporation of the Company, its authorized share capital was US\$50,000 divided into 50,000 Shares of US\$1.00 each.

On 18 July 2008, one subscriber's share was transferred to Pacific Success.

On 11 February 2010, (i) the authorized share capital of the Company was increased from US\$50,000 to the aggregate of US\$50,000 and HK\$1,000,000 by the creation of an additional 1,000,000,000 Shares of HK\$0.001 par value each; (ii) 600,000,000 Shares of HK\$0.001 each were issued and allotted to Pacific Success at par; and (iii) the one share of US\$1.00 of the Company held by Pacific Success was repurchased by the Company at par; and (iv) the authorized but unissued share capital of the Company was reduced by the cancellation of 50,000 shares of US\$1.00 each.

Pursuant to the written resolution of all the Shareholders referred to in the section headed "Further information about the Company – Written resolutions of all the Shareholders passed on 8 October 2010" below, the authorized share capital of the Company was increased from HK\$1,000,000 to HK\$10,000,000 by the creation of an additional 9,000,000,000 Shares.

Upon [●] and conversion of the Redeemable Convertible Bonds, Admiralfly will be allotted and issued 110,021,763 Shares.

Save as disclosed herein and under the section headed "Further information about the Company – Corporate reorganization" below, there has been no alteration in the share capital of the Company since its incorporation.

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3. Written resolutions of all the Shareholders passed on 8 October 2010

On 8 October 2010, written resolutions of all the Shareholders were passed pursuant to which, amongst other things:

- (a) the authorized share capital of the Company was increased from HK\$1,000,000 to HK\$10,000,000 by the creation of an additional 9,000,000,000 Shares;
- (b) the Company approved and adopted the Memorandum and Articles;

4. Corporate reorganization

The companies comprising the Group underwent a reorganization to rationalize the Group's structure. The reorganization involved the following:-

- (a) On 14 December 2006, Guangzhou Dilai transferred to Evergreen International 30% of equity interest in Evergreen Guangdong, at a consideration of HK\$4,000,000.
- (b) On 18 August 2007, Mr. Chen Yunan and Mr. Chen Minwen transferred to Evergreen Guangdong its respective 60% and 40% equity interest in Guangzhou Changyue at an aggregate consideration of RMB1,380,000.
- (c) On 18 August 2007, Mr. Chen Jiachang and Ms. Jiang Shunzhu transferred to Evergreen Guangdong its respective 72% and 28% equity interest in Guangzhou Changzhuxing at an aggregate consideration of RMB4,800,000.
- (d) On 1 January 2008, (i) 255 shares of VEDS were transferred from Mr. Chen Yunan to Mr. Chan at par; and (ii) 5 shares of VEDS were transferred from Ms. Ng Yin Shan, the wife of Mr. Chan, to Mr. Chan at par.
- (e) On 16 April 2008, Sunsonic was incorporated under the laws of the BVI with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each.
- (f) On 26 June 2008, the Company was incorporated under the laws of the Cayman Islands with an authorized share capital of US\$50,000 of US\$1.00 each, and 1 share of US\$1.00 in its share capital was issued and allotted to the initial subscriber on the same day. On 18 July 2008, 1 share of the Company of US\$1.00 was transferred from the initial subscriber to Pacific Success at par.
- (g) On 18 July 2008, 1 share of Sunsonic was allotted and issued to the Company.
- (h) On 18 July 2008, 1 share of Richwood, representing its then entire issued share capital, was transferred from Mr. Chan to Sunsonic at par.

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- (i) On 8 August 2008, 500 shares of VEDS of 16 euros each, representing its then entire issued share capital, were transferred from Mr. Chan to Richwood at par.
- (j) On 29 August 2008, (i) 10,000 shares of Evergreen Asia, representing its then entire issued share capital, were sold by Mr. Chan to Sunsonic at par; (ii) 2 shares of Master (HK), representing its then entire issued share capital, were transferred from Mr. Chan to Sunsonic at par; and (iii) 1 share of Evergreen International was transferred from Mr. Chan to Sunsonic at par.
- (k) On 16 September 2008, 999,999 shares of Evergreen International were transferred by Mr. Chan to Sunsonic at par. After the aforesaid transfers, Sunsonic owns the then entire issued share capital of Evergreen International.
- (l) On 11 February 2010, the authorized share capital of the Company was increased from US\$50,000 to the aggregate of US\$50,000 and HK\$1,000,000 by the creation of an additional 1,000,000 Shares.
- (m) On 11 February 2010, 600,000,000 Shares were issued and allotted to Pacific Success at par.
- (n) On 11 February 2010, the one share of US\$1.00 of the Company held by Pacific Success was repurchased by the Company at par.
- (o) On 11 February 2010, the authorised but unissued share capital of the Company was reduced by the cancellation of 50,000 shares of US\$1.00 each.

5. Changes in the share capital of subsidiaries of the Company

The Company's subsidiaries are referred to in the accountants' report for the Company, the text of which is set out in Appendix I to this document. The following alterations in the share capital of the Company's subsidiaries have taken place within the two years preceding the date of this document:

Evergreen Guangdong

On 14 July 2010, the registered capital of Evergreen Guangdong was increased from HK\$12 million to HK\$200 million.

Guangzhou Changyue

On 24 August 2010, the registered capital of Guangzhou Changyue was increased from RMB1 million to RMB30 million.

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Guangzhou Changzhuxing

On 24 August 2010, the registered capital of Guangzhou Changzhuxing was increased from RMB5 million to RMB20 million.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this document.

II. SHARE OPTION SCHEME

Summary of the terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme approved and adopted pursuant to the written resolutions of all the Shareholders passed on 8 October 2010. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

1. *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants (as defined in paragraph (2) below) and for such other purposes as the Board may approve from time to time.

2. *Who may join*

The Board may, at its discretion, invites:

- 2.1 any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of any member of the Group; and
- 2.2 any discretionary objects of a discretionary trust established by any directors (excluding independent non-executive directors) or any employees (whether full-time or part-time) of each member of the Group; and
- 2.3 any consultants, professional and other advisers to any member of the Group (or persons, firms or companies proposed to be appointed for providing such services),

any chief executives or substantial Shareholders of the Company, (together, the "**Participants**" and each a "**Participant**"), to take up share options ("**Share Options**") to subscribe for Shares at a price determined in accordance with paragraph 6 below provided that the Board may have absolute discretion to determine whether or not one falls within the above categories.

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In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

3. *Conditions*

The Share Option Scheme shall take effect subject to the passing of an ordinary resolution approving the adoption of the Share Option Scheme by the Shareholders and authorizing the Directors to grant Share Options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any Share Options granted under the Share Option Scheme, and is conditional upon:

[●]

If the above conditions are not satisfied on or before the date which falls on the 60th day after the date of this document, the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

As at the date of this document, no Share Option has been granted or agreed to be granted by the Company under the Share Option Scheme.

4. *Duration and Administration*

4.1 Subject to the fulfilment of the conditions in paragraph 3 above and the termination provisions in paragraph 16, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on 8 October 2010, but in all other respects, subject to the compliance with the provisions of [●], the provisions of the Share Option Scheme shall remain in full force and effect, and Share Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

4.2 The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

4.3 Subject to compliance with the requirements of [●] and the provisions of the Share Option Scheme, the Board shall have the right (i) to interpret and construe the provisions of the Share Option Scheme; (ii) to determine the persons who will be awarded Share Options under the Share Option Scheme and the number of Shares to be issued under the Share Option; (iii) to determine the price per Share at which a Grantee (as defined below) may subscribe for Shares on the exercise of a Share Option (the "**Subscription Price**"); (iv) to make such appropriate and equitable adjustments to the terms of Options granted under the Share

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Option Scheme as it deems necessary; and (v) to make such other decisions, determinations or regulations as it shall deem appropriate in the administration of the Share Option Scheme.

5. *Grant of Options*

- 5.1 On and subject to the requirements of and the terms of the Share Option Scheme, the Board shall be entitled at any time, within 10 years after 8 October 2010 to make an offer of the grant of a Share Option by the Board (the "**Offer**") to any Participant as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may (subject to paragraphs 9 and 10) determine at the Subscription Price.
- 5.2 No Offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of [●]. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board (as such date is first notified by the Company to [●] in accordance with the [●]) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under [●]); and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under [●], or quarterly or any other interim period (whether or not required under [●]), and ending on the date of the results announcement, no Share Option may be granted.
- 5.3 An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine (the "**Offer Letter**") specifying the number of Shares under the Share Option and the share option period and requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period from the date of offer ("**Offer Date**") to such date as the Board may determine and specify in the Offer Letter (both days inclusive), provided that no such Offer shall be open for acceptance after the 10th anniversary from 8 October 2010 or after the Share Option Scheme has been terminated in accordance with the provisions hereof, whichever is earlier.
- 5.4 An Offer shall be deemed to have been accepted by any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) the legal personal representative(s) entitled to any such Share Option in consequence of the death of the original Participant (the "**Grantee**") and the Share Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter (as

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defined in sub-paragraph 5.3 above) comprising acceptance of the Share Option duly signed by the Grantee together with a remittance in favour of the Company of HK\$1 by way of consideration for the granting thereof is received by the Company within the period as stipulated in sub-paragraph 5.3 above. Such remittance shall in no circumstances be refundable or be considered as part of the Subscription Price.

- 5.5 Any Offer may be accepted by a Participant in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of such number of Shares as representing [●] or an integral multiple thereof and the number of Shares in respect of which the Offer is accepted is clearly stated in the duplicate of the Offer Letter received by the Company as mentioned in sub-paragraph 5.4 above. To the extent that the Offer is not accepted within the acceptance period, it will be deemed to have been irrevocably declined and will automatically lapse.
- 5.6 Subject to the provisions of the Share Option Scheme and [●], the Board may when making the Offer impose any conditions, restrictions or limitations in relation to the Share Option as it may at its absolute discretion think fit.

6. *Subscription Price*

Subject to any adjustments made pursuant to paragraph 11 below, the Subscription Price in respect of each Share issued pursuant to the exercise of the Share Options granted hereunder shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

- 6.1 the [●] price of the Shares as stated in [●], which must be a business day;
- 6.2 a price being the [●] prices of the Shares as stated in [●] for the 5 business days immediately preceding the Offer Date (provided that the new issue price shall be used as the [●] price for any business day falling within the period before [●]); and
- 6.3 the nominal value of a Share.

7. *Exercise of Options*

- 7.1 An Option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests (whether legal or beneficial) in favour of any third party over or in relation to any Option or attempt to do so. Where the Grantee is a company, any change of its controlling shareholder or any substantial change in its management (which is to be determined by the Board at its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid. Any breach of the foregoing of a

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Grantee shall render all outstanding Options of such Grantee be automatically cancelled on the date which the Grantee commits the foregoing breach.

- 7.2 Unless otherwise determined by the Board and specified in the Offer Letter (as defined in sub-paragraph 5.3 above) at the time of the Offer, there is neither any performance targets that need to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. An Option may be exercised in whole or in part in the manner as set out in the Offer Letter, this sub-paragraph and sub-paragraph 7.3 below by the Grantee (or his personal representative(s)) giving notice in writing to the Company stating that the Share Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the total Subscription Price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittances and where appropriate, receipt of the independent financial advisors or the auditors' certificate pursuant to paragraph 11 below, the Company shall allot, and shall instruct the share registrar of the Company to issue, the relevant Shares to the Grantee (or his personal representative(s)) credited as fully paid and issue to the Grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.
- 7.3 Subject to as hereinafter provided and subject to the terms and conditions upon which such Share Option was granted, a Share Option may be exercised by the Grantee at any time during the a period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which a Share Option may be exercised and in any event, such period shall not be longer than 10 years from the Offer Date ("**Option Period**") provided that:
- (a) in the event of the Grantee ceases to be a Participant for any reason other than on the Grantee's death or the termination of the Grantee's employment, directorship, appointment or engagement on one or more of the grounds specified in sub-paragraph 8.5 below, the Grantee may exercise the Share Option up to the Grantee's entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of 3 months (or such longer period as the board of the Company may determine) following the date of such cessation,, which date shall be the last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of office or appointment as director of, as consultant, professional or other advisers to the relevant company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the relevant company shall be conclusive;

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- (b) in the event the Grantee dies before exercising the Share Option in full and none of the events which would be a ground for termination of the Grantee's employment, directorship, appointment or engagement under sub-paragraph 8.5 below arises, the personal representative(s) of the Grantee shall be entitled within a period of 6 months or such longer period as the Board may determine from the date of death, to exercise the Share Option up to the entitlement of such Grantee at the date of death (to the extent which has become exercisable and has not already been exercised) or, if appropriate, make an election pursuant to sub-paragraphs 7.3(c), (d) or (e) below;
- (c) if a general offer (other than by way of scheme of arrangement pursuant to sub-paragraph 7.3(d) below) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror (the "**Dissenting Shareholders**")) and if such offer becomes or is declared unconditional and the offeror is entitled to and does give notice pursuant to the Companies Law to acquire Shares held by the Dissenting Shareholders prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) may by notice in writing to the Company within 21 days of the notice of the offeror exercise the Share Option (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) to its full extent or to the extent specified in such notice;
- (d) if a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the Share Option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice;
- (e) other than a general offer or a scheme of arrangement contemplated in sub-paragraphs 7.3(c) and (d), if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal

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representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the Court, exercise any of his Share Options (to the extent which has become exercisable and has not already been exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Share Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement; and

- (f) in the event of a notice is given by the Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the shareholders' meeting, give notice thereof to all Grantees. The Grantees (or their legal personal representative(s)) may subject to the provisions of all applicable laws, by notice in writing to the Company (such notice to be received by the Company not later than 2 business days prior to the proposed general meeting) exercise the Share Option (to the extent that it has become exercisable and has not already been exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. If such resolution is duly passed, all Share Options shall, to the extent that they have not been exercised, thereupon cease and determine.

- 7.4 The Shares to be allotted upon the exercise of a Share Option will be subject to all the provisions of the Memorandum and the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other

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distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue, provided always that when the date or exercise of the Share Option falls on a date upon which the register of shareholders of the Company is closed then the exercise of the Option shall become effective on the first business day in Hong Kong on which the register of shareholders of the Company is re-opened.

8. *Lapse of Share Options*

A Share Option shall lapse automatically and not be exercisable (to the extent that it has not already been exercised) on the earliest of:

- 8.1 the expiry of the Option Period (subject to the paragraphs 4.1 and 14);
- 8.2 the expiry of the periods referred to in the above sub-paragraphs 7.3(a), (b) or (c), where applicable;
- 8.3 subject to the scheme of compromise and arrangement becoming effective, the expiry of the period referred to in the above sub-paragraph 7.3(d) or (e);
- 8.4 subject to the expiry of the period of extension (if any) referred to in sub-paragraph 7.3(a), the date on which the Grantee ceases to be a Participant by reason of the termination of his employment, directorship, appointment or engagement on one or more grounds specified in sub-paragraph 8.5 below;
- 8.5 the date on which the Grantee ceases to be a Participant by reason of the termination of his employment, directorship, office or appointment on the grounds that he has been guilty of misconduct or has been in breach of material term of the relevant employment contract or service contract, or has stopped payment to creditors generally or been unable to pay his debts within the meaning of any applicable legislation relating to bankruptcy or insolvency, or has become bankrupt or insolvent, or has been served with a petition for bankruptcy, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board or the board of the relevant subsidiary, as the case may be) on any other ground on which any employer or any engaging party would be entitled to terminate his employment, directorship, appointment or engagement at common law or pursuant to any applicable laws or under the Grantee's employment contract or service contract with the Company or the relevant subsidiary (as the case may be). A resolution of the board of directors or governing body of the relevant company or substantial shareholder of the Company (as the case may be) to the effect that the employment,

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directorship, appointment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 8.5 shall be conclusive;

- 8.6 subject to sub-paragraph 7.3(f), the date of the commencement of the winding-up of the Company;
- 8.7 the date on which the Grantee commits a breach of sub-paragraph 7.1 above;
- 8.8 the date on which the Share Option is cancelled by the Board as provided in paragraph 15 below; or

The Company shall owe no liability to any Grantee for the lapse of any Share Option under this paragraph 8.

9. *Maximum number of shares available for subscription*

- 9.1 Subject to sub-paragraph 9.2 below:
 - (a) The total number of Shares, which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 94,669,576 Shares, unless the Company obtains an approval from its shareholders pursuant to sub-paragraph 9.1(b) below. The Share Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such 10% limit.
 - (b) The Company may seek approval of its Shareholders in general meeting for refreshing the 10% limit set out in sub-paragraph 9.1(a) above such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, the Company shall send a circular to its Shareholders containing the information and disclaimer as required under [●].

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- (c) The Company may seek separate approval by its shareholders in general meeting for granting Options beyond the 10% limit provided the Options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. In such a case, the Company shall send a circular to its shareholders containing, amongst other terms, a generic description of the specified Participant(s) who may be granted such Share Options, the number of Shares subject to the Share Options to be granted, the terms of the Share Options to be granted, the purpose of granting Share Options to the specified Participant(s), an explanation as to how these Share Options serve such purpose and such other information as required under [●].

9.2 Notwithstanding any provision in paragraph 9.1 above and subject to paragraph 11, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company (or its subsidiary) if this will result in such limit being exceeded.

10. *Maximum entitlement of Shares of each Participant*

- 10.1 (a) Subject to sub-paragraphs 10.1(b) below, the total number of Shares issued and to be issued upon exercise of the Share Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (b) Notwithstanding sub-paragraph 10.1(a), where any further grant of Share Options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his associates abstaining from voting. The number and terms (including the Subscription Price) of the Share Options to be granted to such Participant shall be fixed before shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price. In such a case, the Company shall send a circular to its Shareholders containing, amongst other terms, the

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identity of such Participant, the number and the terms of the Share Options to be granted (and options previously granted to such Participant) and such other information as required under [●].

- (c) In addition to the above paragraph 9 and sub-paragraphs 10.1(a) and 10.1(b), any grant of Share Options to a Participant who is a director, chief executive or substantial shareholder of the Company or their respective associates must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is a Grantee).
- (d) In addition to the above paragraph 9 and sub-paragraphs 10.1(a) and 10.1(b), where the Board proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the proposed Offer Date of such grant (the "Relevant Date"):
 - (i) representing in aggregate more than 0.1% of the total number of Shares in issue on the Relevant Date; and
 - (ii) having an aggregate value, based on the closing price of the Shares as stated [●] on the Relevant Date in excess of HK\$5 million,

such proposed grant of Share Options must be approved by the shareholders of the Company in general meeting. In such a case, the Company shall send a circular to its shareholders containing all those terms as required under [●]. The Participants concerned and all connected persons of the Company must abstain from voting in favour of the resolution at such general meeting. Any vote taken at the meeting to approve the grant of such Share Options must be taken on a poll.

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10.2 Subject to the above sub-paragraphs 9.1, 9.2 and 10.1, in the event of any alteration in the capital structure of the Company whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company or otherwise howsoever (other than as a result of an issue of Shares as consideration in a transaction), the maximum number of Shares referred to in the above sub-paragraphs 9.1, 9.2 and 10.1 will be adjusted in such manner as an independent financial adviser or the auditors for the time being of the Company (acting as experts and not as arbitrators) shall confirm to the directors of the Company in writing to be fair and reasonable and in compliance with the requirements under [●].

11. *Alteration of capital structure*

In the event of any alteration in the capital structure of the Company whilst any Share Option remains exercisable, whether by way of capitalization issue, rights issue, subdivision, consolidation, or reduction of the share capital of the Company in accordance with legal requirements and requirements of [●] excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party at any time after the date on which dealings in the Shares first commence on the [●], such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Share Option so far as unexercised; and/or
- (ii) the Subscription Price;
- (iii) the method of exercise of the Share Option (if applicable)

as an independent financial adviser or the auditors shall at the request of the Board certify in writing to the directors of the Company, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of [●] and the notes thereto and any interpretation and/or guidance on that Rule and the notes issued by [●] from time to time and shall give a Grantee as nearly as possible the same proportion of the issued share capital of the Company as that to which the Grantee was previously entitled, provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value and/or to the advantage in respect of the Grantee without specific prior Shareholders' approval. The capacity of the independent financial adviser or the auditors for the time being of the Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the independent financial adviser or the auditors shall be borne by the Company.

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12. *Share Capital*

The exercise of any Share Option shall be subject to the shareholders of the Company in a general meeting approving any necessary increase in the authorized share capital of the Company. Subject thereto, the Board shall make available sufficient authorized but unissued share capital of the Company to meet subsisting requirements on the exercise of Options.

13. *Disputes*

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares the subject of a Share Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the auditors of the Company or an independent financial adviser appointed by the Company who shall act as experts and not as arbitrators and whose decision shall be final and binding.

14. *Alteration of the Share Option Scheme*

14.1 The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme as to:

- (a) the definitions of "Grantee", "Option Period" and "Participant" in sub-paragraphs 2.6, 5.4 and 7.3;
- (b) the provisions of the above paragraphs and sub-paragraphs 4.1, 5.1, 5.2, 5.3, 6, 7, 8, 9, 10, 11 and this paragraph 14; and
- (c) all such other matters set out in Rule 17.03 of [●],

shall not be altered to the advantage of the Participants except with the prior approval of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Share Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of the Shareholders under the Articles for the time being for a variation of the rights attached to the Shares.

14.2 Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Share Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

14.3 The amended terms of the Share Option Scheme or the Share Options must still comply with the relevant requirements of [●].

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14.4 Any change to the authority of the directors of the Company or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the shareholders of the Company in general meeting.

15. *Cancellation of the Share Options granted*

The Board may, with the consent of the relevant Grantee, at any time at its absolute discretion cancel any Share Option granted but not exercised. Where the Company cancels Share Options and makes an Offer of the grant of new Share Options to the same Share Option holder, the Offer of the grant of such new Share Options may only be made, under the Share Option Scheme with available Share Options (to the extent not yet granted and excluding the cancelled Share Options) within the limit approved by the shareholders of the Company as mentioned in the above paragraph 9.

16. *Termination of the Share Option Scheme*

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Share Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Upon such termination, details of the Share Options granted (including Share Options exercised or outstanding) under the Share Options Scheme are required under [●] to be disclosed in the circular to Shareholders seeking approval of the first new scheme established thereafter.

III. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group within the two years preceding the date of this document and are or may be material:

- (a) the licence agreement dated 1 January 2010 entered into between Richwood (as licensor) and Evergreen Guangdong (as licensee) pursuant to which Richwood granted a licence to Evergreen Guangdong to use its trademarks with trademark numbers 1140303, 1146691, 1378084 and 1370979 registered in the PRC as set out in the section headed "Further information about the business – Intellectual property rights" in this Appendix VI at nil consideration;

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- (b) the licence agreement dated 1 January 2010 entered into between Richwood (as licensor) and Evergreen Guangdong (as licensee) pursuant to which Richwood granted a licence to Evergreen Guangdong to use its trademarks with trademark numbers 4266217, 4266297, 3947048, 4932134 and 4932135 registered in the PRC as set out in the section headed "Further information about the business – Intellectual property rights" in this Appendix VI at nil consideration;
- (c) the licence agreement dated 1 January 2010 entered into between Richwood (as licensor) and Guangzhou Changyue (as licensee) pursuant to which Richwood granted a licence to Guangzhou Changyue to use its trademarks with trademark numbers 1140303, 1146691, 1378084 and 1370979 registered in the PRC as set out in the section headed "Further information about the business – Intellectual property rights" in this Appendix VI at nil consideration;
- (d) the licence agreement dated 1 January 2010 entered into between Richwood (as licensor) and Guangzhou Changzhuxing (as licensee) pursuant to which Richwood granted a licence to Guangzhou Changzhuxing to use its trademarks with trademark numbers 4266217, 4266297, 3947048, 4932134 and 4932135 registered in the PRC as set out in the section headed "Further information about the business – Intellectual property rights" in this Appendix VI at nil consideration;
- (e) the Subscription and SP Agreement dated 29 April 2010, as supplemented by the amendment letter dated 25 May 2010, executed by the Company, Pacific Success, Mr. Chan and Admiralfly pursuant to which (i) Admiralfly was issued the Redeemable Convertible Bonds in the principal amount of US\$25,000,000 and; (ii) Pacific Success agreed to transfer 24,977,914 Shares to Admiralfly at a consideration of US\$5,000,000, further details of which are set out in the section headed "Financial Investor" in this document;
- (f) the securityholders' agreement dated 29 April 2010 executed by the Company, Pacific Success, Mr. Chan and Admiralfly in relation to providing their rights and duties and regulating their respective responsibilities towards management of the business and affairs of the Company, further details of which are set out in the section headed "Financial Investor" in this document;
- (g) the share charge dated 25 May 2010 executed by Pacific Success, Admiralfly and the Company whereby in consideration of the completion of the Subscription and SP Agreement by Admiralfly, Pacific Success agreed to charge to Admiralfly 142,004,353 Shares;
- (h) the supplemental agreement to the Subscription and SP Agreement dated 2 August 2010 executed by the Company, Pacific Success, Mr. Chan and Admiralfly and in consideration of mutual agreements and promises, the time of transfer of the [●] Adjustment Shares (as defined in the section headed "Financial Investor") was, among others, amended, further details of which are set out in the section headed "Financial Investor" in this document;

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- (i) the waiver letter dated 2 August 2010 executed by Admiralfly in favour of the Company, Mr. Chan and Pacific Success and in consideration of mutual agreements and promises, certain rights under the Subscription and SP Agreement were agreed to be waived, further details of which are set out in the section headed "Financial Investor" in this document;
- (j) the Deed of Non-competition dated 8 October 2010; and
- (k) the Deed of Indemnity dated 8 October 2010.

2. Intellectual property rights





- (a) As at the Latest Practicable Date, the Group had registered the following trademarks:

(A) "V.E. DELURE"/"迪萊"



(1) Hong Kong

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	200106018AA	3,18	17/08/2000 - 17/08/2017
		200210366	25	12/09/2000 - 12/09/2017
		200405592AA	9,14,16, 34	17/02/2003 - 17/02/2020
	Richwood Management Limited	300495784	3,14,16, 18,25,34	15/09/2005 - 14/09/2015
	Richwood Management Limited	300920736	3,9,14, 16,18,25, 28,34,35	26/07/2007 - 25/07/2017


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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	301119942	3,9,14, 16,18,25, 28,34,35	20/05/2008 - 19/05/2018
	Richwood Management Limited	301119951	3,9,14, 16,18,25, 28,34,35	20/05/2008 - 19/05/2018
	Richwood Management Limited	301119933	3,9,14, 16,18,25, 28,34,35	20/05/2008 - 19/05/2018
	Richwood Management Limited	301119924	3,9,14, 16,18,25, 28,34,35	20/05/2008 - 19/05/2018

(2) *Europe*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	004646931	3,14,16, 18,25,34	19/09/2005 - 19/09/2015
	Richwood Management Limited	002324176	3,9,14, 16,18,25 and 34	01/08/2001 - 01/08/2011
V.E. DELURE	Richwood Management Limited	005023114	3,9,14, 16,18,25, 28 and 34	18/04/2006 - 18/04/2016


(3) *France*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	VE Delure SARL	(05)3381350	18, 25	22/09/2005 - 22/09/2015



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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	VE Delure SARL	99789546	18, 25	30/04/2009 - 30/04/2019
	VE Delure SARL	895324	18, 25	11/07/2006 - 11/07/2016
	VE Delure SARL	774845	18, 25	09/01/2002 - 09/01/2012
	VE Delure SARL	99789547	18, 25	30/04/2009 - 30/04/2019
	VE Delure SARL	774846	18, 25	09/01/2002 - 09/01/2012
	VE Delure SARL	(00)3030573	3	26/5/2010 - 26/5/2020

(4) *Switzerland*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	511584	2,3,14, 16,18, 25 and 34	24/01/2003 - 23/01/2013

(5) *Malaysia*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	99007545	18	11/08/2009 - 11/08/2019
	Richwood Management Limited	00006815	25	31/05/2010 - 31/05/2020

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(6) *Taiwan*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
V.E. DELURE 迪萊	Richwood Management Limited	00961380	25	16/09/2001 - 15/09/2011
迪萊	Richwood Management Limited	01380086	18	1/10/2009 - 30/9/2019
V.E. DELURE	Richwood Management Limited	01380087	18	1/10/2009 - 30/9/2019

(7) *Singapore*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
V.E. DELURE 迪萊	Richwood Management Limited	T00/08759C	25	25/05/2010 - 25/05/2020
<i>v&e Delure</i> 迪萊	Richwood Management Limited	T99/08564D	18	12/08/1999 - 12/08/2019












(8) *Japan*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
<i>v&e Delure</i> 迪萊	Richwood Management Limited	4415353	18	08/09/2000 - 08/09/2010*
V.E. DELURE 迪萊	Richwood Management Limited	4507865	25	21/09/2001 - 21/09/2011

* *In the process of renewal*

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(9) *China*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	3504677	34	14/04/2004 - 13/04/2014
	Richwood Management Limited	3504684	9	21/10/2004 - 20/10/2014
	Richwood Management Limited	3504683	14	14/11/2004 - 13/11/2014
	Richwood Management Limited	3504682	16	21/02/2005 - 20/02/2015
	Richwood Management Limited	3504675	42	07/03/2005 - 06/03/2015
	Richwood Management Limited	3504678	26	07/03/2005 - 06/03/2015
	Richwood Management Limited	3504676	35	21/05/2005 - 20/05/2015
	Richwood Management Limited	3504680	24	28/06/2005 - 27/06/2015
	Richwood Management Limited	3504681	18	28/06/2005 - 27/06/2015
	Richwood Management Limited	3504679	25	14/07/2005 - 13/07/2015
	Richwood Management Limited	3404158	25	28/02/2008 - 27/02/2018










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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	3404159	18	21/12/2009 - 20/12/2019
	Richwood Management Limited	1370979	25	07/03/2010 - 06/03/2020
	Richwood Management Limited	1383596	16	13/04/2010 - 13/04/2020
	Richwood Management Limited	1402494	9	28/05/2010- 27/05/2020
	Richwood Management Limited	1407316	14	14/06/2010 - 13/06/2020
	Richwood Management Limited	1409152	34	14/06/2010 - 13/06/2020
	Richwood Management Limited	1516346	3	07/02/2001 - 06/02/2011
	Richwood Management Limited	3131661	24	28/06/2003 - 27/06/2013
	Richwood Management Limited	3105857	25	21/01/2004 - 20/01/2014
	Richwood Management Limited	1140303	18	07/01/2008 - 06/01/2018
	Richwood Management Limited	1146691	25	28/01/2008 - 27/01/2018

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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	2022412	25	07/11/2002 - 06/11/2012
	Richwood Management Limited	1671613	35	21/11/2001 - 20/11/2011
	Richwood Management Limited	1470921	34	07/11/2000 - 06/11/2010
	Richwood Management Limited	1992334	24	14/12/2002 - 13/12/2012
	Richwood Management Limited	1986409	26	14/01/2003 - 13/01/2013
	Richwood Management Limited	1905474	3	21/01/2003 - 20/01/2013
	Richwood Management Limited	1917836	9	07/02/2003 - 06/02/2013
	Richwood Management Limited	3331004	34	14/09/2003 - 13/09/2013
	Richwood Management Limited	3331010	9	21/03/2004 - 20/03/2014
	Richwood Management Limited	3331008	16	28/03/2004 - 27/03/2014

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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	3331009	14	28/04/2004 - 27/04/2014
	Richwood Management Limited	3331006	24	07/06/2004 - 06/06/2014
	Richwood Management Limited	3331003	35	14/07/2004 - 13/07/2014
	Richwood Management Limited	3331007	18	07/08/2004 - 06/08/2014
	Richwood Management Limited	3331011	3	14/08/2004 - 13/08/2014
	Richwood Management Limited	3331005	26	14/12/2004 - 13/12/2014
	Richwood Management Limited	3628340	32	07/02/2005 - 06/02/2015
	Richwood Management Limited	3628342	30	07/02/2005 - 06/02/2015
	Richwood Management Limited	3628343	29	07/02/2005 - 06/02/2015
	Richwood Management Limited	3628376	10	07/02/2005 - 06/02/2015
	Richwood Management Limited	3628377	8	07/02/2005 - 06/02/2015













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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	3628381	4	07/03/2005 - 06/03/2015
	Richwood Management Limited	3628339	33	14/03/2005 - 13/03/2015
	Richwood Management Limited	3628374	12	28/03/2005 - 27/03/2015
	Richwood Management Limited	3628373	41	07/04/2005 - 06/04/2015
	Richwood Management Limited	3628341	31	14/04/2005 - 13/04/2015
	Richwood Management Limited	3628391	17	21/04/2005 - 20/04/2015
	Richwood Management Limited	3628379	6	21/05/2005 - 20/05/2015
	Richwood Management Limited	3628392	15	07/06/2005 - 06/06/2015
	Richwood Management Limited	3628334	40	21/06/2005 - 20/06/2015
	Richwood Management Limited	3628335	39	21/06/2005 - 20/06/2015
	Richwood Management Limited	3628336	38	21/06/2005 - 20/06/2015
	Richwood Management Limited	3628375	11	21/06/2005 - 20/06/2015




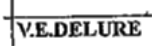





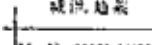

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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	3628370	45	21/07/2005 - 20/07/2015
	Richwood Management Limited	3628371	44	07/08/2005 - 06/08/2015
	Richwood Management Limited	3628378	7	21/08/2005 - 20/08/2015
	Richwood Management Limited	3628390	19	21/09/2005 - 20/09/2015
	Richwood Management Limited	3628337	37	07/10/2005 - 06/10/2015
	Richwood Management Limited	3628338	36	07/10/2005 - 06/10/2015
	Richwood Management Limited	3628382	2	14/10/2005 - 13/10/2015
	Richwood Management Limited	3628387	22	28/10/2005 - 27/10/2015
	Richwood Management Limited	3628372	43	07/11/2005 - 06/11/2015
	Richwood Management Limited	3628386	23	21/11/2005 - 20/11/2015
	Richwood Management Limited	3628385	27	14/12/2005 - 13/12/2015

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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	3628388	21	28/12/2005 - 27/12/2015
	Richwood Management Limited	3628389	20	28/12/2005 - 27/12/2015
	Richwood Management Limited	3628393	13	14/01/2006 - 13/01/2016
	Richwood Management Limited	3628383	1	28/01/2006 - 27/01/2016
	Richwood Management Limited	3628380	5	07/02/2006 - 06/02/2016
	Richwood Management Limited	3628384	28	21/03/2006 - 20/03/2016
	Richwood Management Limited	4216119	25	07/10/2008 - 06/10/2018
	Richwood Management Limited	3504688	34	14/04/2004 - 13/04/2014
	Richwood Management Limited	3504695	9	21/10/2004 - 20/10/2014
	Richwood Management Limited	3504694	14	28/10/2004 - 27/10/2014
	Richwood Management Limited	3504687	35	28/11/2004 - 27/11/2014
	Richwood Management Limited	3504693	16	14/02/2005 - 13/02/2015







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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	3504686	42	28/02/2005 - 27/02/2015
	Richwood Management Limited	3504689	26	28/03/2005 - 27/03/2015
	Richwood Management Limited	3504691	24	28/04/2005 - 27/04/2015
	Richwood Management Limited	3504692	18	28/04/2005 - 27/04/2015
	Richwood Management Limited	3504696	3	21/05/2005 - 20/05/2015
	Richwood Management Limited	3504690	25	28/06/2005 - 27/06/2015
	Richwood Management Limited	2001876	42	21/12/2002 - 20/12/2012
	Richwood Management Limited	1960340	37	28/02/2003 - 27/02/2013
	Richwood Management Limited	1996358	40	14/03/2003 - 13/03/2013
	Richwood Management Limited	3076637	18	28/04/2003 - 27/04/2013
	Richwood Management Limited	3684880	43	07/05/2006 - 06/05/2016


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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	3076666	25	07/05/2003 - 06/05/2013
	Richwood Management Limited	640716	25	07/05/2003 - 06/05/2013
	Richwood Management Limited	3057890	25	28/03/2003 - 27/03/2013
	Richwood Management Limited	3331002	25	21/09/2004 - 20/09/2014
	Richwood Management Limited	3197419	25	28/10/2003 - 27/10/2013
	Richwood Management Limited	1378084	18	28/03/2010 - 27/03/2020
	Richwood Management Limited	3504399	34	14/04/2004 - 13/04/2014
	Richwood Management Limited	3504406	9	14/08/2004 - 13/08/2014
	Richwood Management Limited	3504405	14	28/10/2004 - 27/10/2014
	Richwood Management Limited	3504398	35	28/11/2004 - 27/11/2014
	Richwood Management Limited	3504400	26	14/01/2005 - 13/01/2015
	Richwood Management Limited	3504404	16	14/02/2005 - 13/02/2015


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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
威伊·迪莱	Richwood Management Limited	3504407	3	21/02/2005 - 20/02/2015
威伊·迪莱	Richwood Management Limited	3504697	42	28/02/2005 - 27/02/2015
威伊·迪莱	Richwood Management Limited	3504401	25	21/04/2005 - 20/04/2015
威伊·迪莱	Richwood Management Limited	3504402	24	28/04/2005 - 27/04/2015
威伊·迪莱	Richwood Management Limited	3504403	18	28/04/2005 - 27/04/2015
	Richwood Management Limited	6131617	34	7/8/2009 - 6/8/2019
	Richwood Management Limited	6131099	16	07/02/2010 - 06/02/2020
	Richwood Management Limited	6131118	14	14/01/2010 - 13/01/2020
	Richwood Management Limited	6131119	9	21/02/2010 - 20/02/2020
	Richwood Management Limited	6131618	28	28/03/2010 - 27/03/2020
	Richwood Management Limited	6131098	18	28/03/2010 - 27/03/2020
	Richwood Management Limited	6131616	35	21/05/2010 - 20/05/2020

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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	6131619	25	07/05/2010 - 06/05/2020
<i>(10) Korea</i>				



Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	40-0798472	18,25	20/8/2009 - 20/8/2019
	Richwood Management Limited	40-0799349	18,25	31/8/2009 - 31/8/2019
	Richwood Management Limited	40-0791404	18,25	8/6/2009 - 8/6/2019
V.E. DELURE	Richwood Management Limited	40-0798471	18,25	20/08/2009 - 20/8/2019
	Richwood Management Limited	40-0798473	18,25	20/8/2009 - 20/8/2019
<i>(B) "鐵獅丹頓"/"TIESHIDANDUN"/"TIESIDANDUN"</i>				

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	200213239AA	18, 25	11/02/2002 - 11/02/2019
<i>(1) Hong Kong</i>				

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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	300226188	3,9,14, 16,18, 25 and 34	03/06/2004 - 02/06/2014

(2) *Europe*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	002617462	3,9,14, 16,18, 25 and 34	14/03/2002 - 14/03/2012
	Richwood Management Limited	3874501	3,9,14, 16,18, 25 and 34	07/06/2004 - 07/06/2014

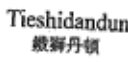
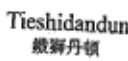
(3) *China*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
鐵獅丹頓	Richwood Management Limited	3947048	18	21/07/2007 - 20/07/2017
Tiesidandun 鐵絲丹頓	Richwood Management Limited	1470920	34	07/11/2000 - 06/11/2010
Tiesidandun 鐵絲丹頓	Richwood Management Limited	1469027	26	07/11/2000 - 06/11/2010
Tiesidandun 鐵絲丹頓	Richwood Management Limited	1477901	9	21/11/2000 - 20/11/2010
Tiesidandun	Richwood Management Limited	1384172	25	14/04/2010 - 13/04/2020

APPENDIX VI	STATUTORY AND GENERAL INFORMATION
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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
Tiesidandun	Richwood Management Limited	3259028	18	21/04/2004 - 20/04/2014
Tiesidandun	Richwood Management Limited	3947047	18	21/07/2007 - 20/07/2017
Tieshidandun 螻獅丹頓	Richwood Management Limited	3129613	34	07/04/2003 - 06/04/2013
Tieshidandun 螻獅丹頓	Richwood Management Limited	3129357	9	28/05/2003 - 27/05/2013
Tieshidandun 螻獅丹頓	Richwood Management Limited	3106744	35	07/06/2003 - 06/06/2013
Tieshidandun 螻獅丹頓	Richwood Management Limited	3129611	24	28/06/2003 - 27/06/2013
Tieshidandun 螻獅丹頓	Richwood Management Limited	3129615	16	28/06/2003 - 27/06/2013
Tieshidandun 螻獅丹頓	Richwood Management Limited	3129358	3	07/10/2003 - 06/10/2013
Tieshidandun 螻獅丹頓	Richwood Management Limited	2020181	25	07/11/2003 - 06/11/2013
Tieshidandun 螻獅丹頓	Richwood Management Limited	2019084	18	07/08/2004 - 06/08/2014

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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	3129612	26	14/08/2004 - 13/08/2014
	Richwood Management Limited	4216120	25	28/03/2008 - 27/03/2018

(C) *TESTANTIN*

(1) *Hong Kong*



Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	300615636	3,9,14, 16,18, 25,28 and 34	07/04/2006 - 06/04/2016
TESTANTIN	Richwood Management Limited	300306297	3,9,14, 16,18, 25 and 34	25/10/2004 - 24/10/2014

(2) *Europe*













Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	5023056	3,9,14, 16,18, 25,28 & 34	18/04/2006 - 18/04/2016
TESTANTIN	Richwood Management Limited	4381307	3,9,14, 16,18, 25 and 34	11/04/2005 - 10/04/2015

APPENDIX VI	STATUTORY AND GENERAL INFORMATION
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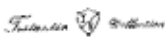

(3) *China*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
TESTANTIN	Richwood Management Limited	4266217	25	21/05/2008 - 20/05/2018
TESTANTIN	Richwood Management Limited	4266297	18	21/05/2008 - 20/05/2018
TESTANTIN	Richwood Management Limited	4597862	34	07/12/2007 - 06/12/2017
TESTANTIN	Richwood Management Limited	4597906	3	21/08/2008 - 20/08/2018
TESTANTIN	Richwood Management Limited	4597907	9	14/02/2008 - 13/02/2018
TESTANTIN	Richwood Management Limited	4597908	14	21/08/2008 - 20/08/2018
TESTANTIN	Richwood Management Limited	4597909	16	21/08/2008 - 20/08/2018
TESTANTIN	Richwood Management Limited	4932134	25	14/5/2009 - 13/5/2019
TESTANTIN	Richwood Management Limited	4932135	18	14/3/2009 - 13/3/2019
	Richwood Management Limited	3504669	34	14/04/2004 - 13/04/2014
	Richwood Management Limited	3504673	9	14/08/2004 - 13/08/2014



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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	3504668	35	28/11/2004 - 27/11/2014
	Richwood Management Limited	3504672	14	28/01/2005 - 27/01/2015
	Richwood Management Limited	3504671	16	14/02/2005 - 13/02/2015
	Richwood Management Limited	3504667	42	28/02/2005 - 27/02/2015
	Richwood Management Limited	3452562	26	07/03/2005 - 06/03/2015
	Richwood Management Limited	3504670	24	28/04/2005 - 27/04/2015
	Richwood Management Limited	3504674	3	28/09/2005 - 27/09/2015
	Richwood Management Limited	4222152	25	07/10/2008 - 06/10/2018
	Richwood Management Limited	4597940	3	07/09/2008 - 06/09/2018
	Richwood Management Limited	4597902	14	07/01/2010 - 06/01/2020
	Richwood Management Limited	4597903	16	07/01/2010 - 06/01/2020
	Richwood Management Limited	4597904	18	14/01/2010 - 13/01/2020

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Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	6027270	18	07/03/2010 - 06/03/2020
	Richwood Management Limited	6027275	25	07/07/2010 - 06/07/2020
	Richwood Management Limited	6027274	18	07/03/2010 - 06/03/2020
	Richwood Management Limited	6027273	25	14/03/2010 - 13/03/2020

(4) *Korea*


Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	40-0798468	18,25	20/8/2009 - 20/8/2019
	Richwood Management Limited	40-0798470	18, 25	20/8/2009 - 20/8/2019

(D) *長興/長興友誼*


(1) *Hong Kong*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Evergreen (Asia) Trading Company Limited	300781038	35	15/12/2006-14/12/2016

APPENDIX VI	STATUTORY AND GENERAL INFORMATION
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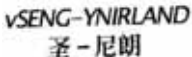
Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Evergreen (Asia) Trading Company Limited	300135053	35	30/12/2003-29/12/2013

(2) *China*



Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	3903401	35	14/09/2006-13/09/2016

(E) *OTHERS*

(1) *China*

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	Richwood Management Limited	3422953	25	07/12/2004 – 06/12/2014

(2) *France*



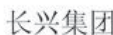

Trademark	Registered Owner	Registration Number	Class	Registration Effective Date/Period
	VE Delure SARL	(05)3359621	3	18/05/2005 - 18/05/2015
	VE Delure SARL	877509	3	04/11/2005 - 04/11/2015

(b) As at the Latest Practicable Date, the Group had applied for registration of the following trademarks:


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(A) "V.E. DELURE"/"迪萊"




(1) Hong Kong

Trademark	Applicant	Application Number	Class	Application Date
	Richwood Management Limited	301586980	18, 25, 35	14/04/2010
A.  B. 	Richwood Management Limited	301674270	16, 35	27/07/2010
A. 	Richwood Management Limited	301674289	16, 35	27/07/2010
V.E. DELURE	Richwood Management Limited	301674298	3, 9, 14, 16, 18, 25, 28, 34, 35	27/07/2010
迪萊	Richwood Management Limited	301674306	3, 9, 14, 16, 18, 25, 28, 34, 35	27/07/2010










(2) Korea

Trademark	Applicant	Application Number	Class	Application Date
	Richwood Management Limited	40-2008-0026132	18,25	29/05/2008

(3) China

Trademark	Applicant	Application Number	Class	Application Date
	Richwood Management Limited	6131120	3	26/06/2007
	Richwood Management Limited	6325290	25	16/10/2007
	Richwood Management Limited	6682091	18	25/04/2008

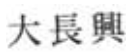
APPENDIX VI	STATUTORY AND GENERAL INFORMATION
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Trademark	Applicant	Application Number	Class	Application Date
	Richwood Management Limited	6682086	25	25/04/2008
	Richwood Management Limited	6682087	18	25/04/2008
	Richwood Management Limited	6682088	25	25/04/2008
	Richwood Management Limited	6690597	25	29/04/2008
	Richwood Management Limited	6690591	18	29/04/2008
	Richwood Management Limited	6780594	25	13/06/2008
	Richwood Management Limited	6780593	18	13/06/2008
	Richwood Management Limited	7749602	18	12/10/2009
	Richwood Management Limited	7749601	25	12/10/2009

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(B) *OTHERS*

(1) *China*

Trademark	Applicant	Application Number	Class	Application Date
	Richwood Management Limited	6935933	35	4/9/2008
	Richwood Management Limited	6991410	18	9/10/2008
	Richwood Management Limited	7835381	25	16/11/2009
	Richwood Management Limited	7835382	18	16/11/2009




(c) As at the Latest Practicable Date, the Group had registered the following domain names:

Registrant	Domain Name	Expiry Date
Evergreen International Group Limited	www.evergreen-intl.com	14/02/2011
Guangzhou Changyue	www.vedelure.cn	28/04/2015

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- (d) As at the Latest Practicable Date, the Group has registered the following designs:

Hong Kong

Design	Registered Owner	Registration Number	Locarno Classification Number	Date of Registration
	Richwood Management Limited	0901995.9	CL.5-05	30/11/2009 - 29/11/2014
	Richwood Management Limited	1000670.2	CL.5-05	14/04/2010 - 13/4/2015
	Richwood Management Limited	1000671.4	Cl.20-02,03	14/4/2010 - 13/4/2015

- (e) As at the Latest Practicable Date, the Group has applied for registration of the following patent:

China

Applicant	Patent	Application Number	Application Date
Richwood Management Limited	textile product (紡織品)	200930284707.X	06/11/2009

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IV. DISCLOSURE OF INTERESTS

1. Directors

(a) *Interest in Shares*

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(b) *Particulars of service agreements*

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from [●] and will shall continue thereafter unless and until the Company or the Director serves a written notice of termination six months in advance during the term of the service agreement or anytime thereafter. Particulars of the service agreements of the Directors are in all material respects the same. The salary of the executive Directors is subject to review each year.

Pursuant to the service agreements between the Company and each of Mr. Chan, Mr. Chen Yunan and Mr. Chen Minwen (all of whom are executive Directors), their salaries are HK\$120,000, HK\$120,000 and HK\$120,000 per month respectively.

Each of the executive Directors is entitled to a year-end bonus of such amount to be determined by the remuneration committee.

None of the independent non-executive Directors has entered into any service agreement with the Group. Pursuant to the letters of appointment between the Company and each of Mr. Fong Wo, Felix, Dr. Ko Wing Man and Mr. Kwok Chi Sun, Vincent (all of whom are independent non-executive Directors), each of them is entitled to receive remuneration of HK\$240,000 per annum which shall be payable in arrears every month.

Pursuant to the relevant service agreements or the relevant letters of appointment, the term of appointment of each of the Directors is two/three years commencing from [●] which may be terminated by either party by giving three/six months' written notice. The appointments are subject to removal provisions and provisions on retirement by rotation of Directors set out in the Articles.

Save as disclosed in this document, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(c) *Directors' remuneration*

- (i) About RMB1,013,000 was paid to the Directors by the Group as remuneration (including housing allowances, other allowances and benefits in kind) in respect of the financial year ended 31 December 2009.
- (ii) About HK\$1.7 million (excluding any management bonus, if any) as remuneration is estimated to be paid to the Directors by the Group in respect of the financial year ending 31 December 2010 pursuant to the present arrangement.

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- (iii) Save as disclosed in this document, no Director received any remuneration or benefits in kind from the Group for the financial year ended 31 December 2009.

2. Substantial Shareholders

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3. Interest in suppliers and customers of the Group

As at the Latest Practicable Date, so far as the Directors are aware, no Director or their respective associates or shareholder (which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company) had any interest in the five largest suppliers or customers of the Group.

4. Related party transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in note 30 of the accountants' report set out in Appendix I to this document.

V. OTHER INFORMATION

1. Estate duty, tax and other indemnity

Indemnity on estate duty and taxation

The Controlling Shareholders (the "Indemnifiers") have pursuant to a deed of indemnity referred to in paragraph (l) of the section headed "Summary of Material Contracts" in this Appendix, given indemnities on a joint and several basis in favour of the Company (for itself and as trustee for its subsidiaries) in connection with, among others, any taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which certain event becomes unconditional (the "Effective Date").

The Indemnifiers will however, not be liable under the deed of indemnity for taxation where:

- (a) to the extent (if any) to which provision, reserve or allowance has been made for such taxation liabilities and claims in the audited combined accounts of the Company for the Track Record Period as set out in Appendix I to this document (the "Accounts");
- (b) to the extent such taxation liabilities and claims falling on any of the members of the Group in respect of their current accounting periods or any accounting period commencing on or after 1 July 2010 would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement or acquiescence of the Indemnifiers other than any such act, omission or transaction: (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 June 2010, or (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2010 or pursuant to any statement of intention made in this document; or

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- (c) to the extent of any provision, reserve or allowance made for such taxation liabilities in the Accounts which is finally established to be an over-provision or an excessive reserve or allowance, in which case the Indemnifiers' liability (if any) in respect of such taxation liabilities shall be reduced by an amount not exceeding such provision, reserve or allowance, provided that the amount of any such provision, reserve or allowance applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of such taxation liabilities shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess provision, reserve or allowance shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity and none of the members of the Group shall in any circumstances be liable to pay the Indemnifiers any such excess; or

- (d) to the extent that any taxation liabilities and claims arise or is incurred as a result of the imposition of such taxation liabilities as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong, the PRC, the BVI, France or any other part of the world) coming into force after the Effective Date or to the extent that such taxation liabilities and claims arise and is increased by an increase in rates of such taxation liabilities after the Effective Date with retrospective effect.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries under the laws of the Cayman Islands, the BVI, Hong Kong, France or the PRC, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

Other Indemnities

Pursuant to the Deed of Indemnity, the Indemnifiers have also given indemnities in connection with other matters as more particularly described below.

- (a) Property

The Indemnifiers have given indemnities on a joint and several basis in favour of each member of the Group (whether or not such member of the Group is or may be entitled to claim reimbursement from any other person) in connection with all or any Damages howsoever arising from or in connection with any Property Claim to the extent that the events leading to such Damages occurred prior to the Effective Date and any such Damages are not paid by the insurer under any relevant insurance policy (if any).

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In the event any of the member of the Group being legally (i) denied of the ownership in; (ii) prohibited from using or occupying; or (iii) evicted from any Property it presently owns, uses or occupies (the "**Affected Premises**") before the expiration of the current term of the tenancy/lease/licence, whether by the landlord or the head landlord or the licensor or any third party whosoever (including without limitation any PRC governmental authorities, or any other competent authorities) on any ground/reason whether or not already disclosed or made known to our Company (including, without limitation to the generality of the foregoing, those disclosed in the legal opinions obtained by the Company in connection with [●]) other than solely due to any breach committed by any member of the Group after the Effective Date, the Indemnifiers covenant with each member of the Group that they will:-

- (i) jointly and severally secure, within a period of 3 calendar months, or such longer period as the Company may agree, for the use and occupation by the affected members of the Group of a Property (the "**Substitute Premises**") which is comparable and no less favourable to those relating to the Affected Premises including those in relation to location, area, layout, lease period, rental, user and facilities, and for a term which is in no way shorter than the original term under which the Affected Premises are being used or occupied by that member of the Group; and
- (ii) jointly and severally indemnify and at all times keep members of the Group effectively indemnified against any Damages which may be reasonably incurred or suffered by it and any other liabilities of whatsoever nature arising therefrom, including without limitation:-
 - (I) in the event that the Affected Premises are a leased/licensed premises, any difference in rentals between the Substitute Premises and the Affected Premises for the remaining term of the relevant lease/licence for the Affected Premises;
 - (II) any costs or expenses reasonably arising from the relocation of the business or assets of the Group from the Affected Premises to the Substitute Premises;
 - (III) all operating and business losses which the Group may suffer arising from a relocation of its business from the Affected Premises to the Substitute Premises; and
 - (IV) any fines, penalties or charges which may be imposed or levied by any governmental authorities for failure to perform or non-compliance whether on the part of the relevant member of the Group, the landlord, the head landlord, the tenant, the licensor or any law or regulation, covenants or obligations under any property ownership certificate, land use right certificate or land grant contract in connection with the leasing, licensing, use or occupation of the Affected Premises.

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(b) Litigation

The Indemnifiers have given indemnities on a joint and several basis in favour of each member of the Group (whether or not such member of the Group is or may be entitled to claim reimbursement from any other person) in connection with all or any Damages howsoever arising from or in connection with any Litigation Claim to the extent that the events leading to such Damages occurred prior to the Effective Date and any such Damages are not paid by the insurer under any relevant insurance policy (if any) or provision of which has not been made in the Accounts provided that:

- (i) each of the Company and the relevant member of the Group shall reimburse each Indemnifier an amount equal to any sum paid by it under the Deed of Indemnity which is subsequently recovered by the Group from any third party less any costs and expenses incurred by the Group for recovering such sum; and
- (ii) where any claim has been insured against, the members of the Group shall not make any claim under the Deed of Indemnity without first procuring the relevant member of the Group to make a claim against the relevant insurer for compensation.

In the event where any Litigation Claim arises, the Company and the relevant member of the Group shall by way of covenant but not as a condition precedent to the liability of the Indemnifiers give or procure that notice thereof is as soon as reasonably practicable given to the Indemnifiers; and, as regards any such Litigation Claim, the Company and the relevant member of the Group shall at the request of the Indemnifiers take such action, or procure that such action be taken, as the Indemnifiers may reasonably request to cause the Litigation Claim to be withdrawn, or to dispute, resist, appeal against, compromise or defend the Litigation Claim and any determination in respect thereof but subject to the Company and the relevant member of the Group being indemnified and secured to its or their reasonable satisfaction by the Indemnifiers against all losses, costs, damages and expenses which may be thereby incurred.

For the purpose of the Deed of Indemnity:

"Damages" means all damages, losses, claims, demands, fines, penalties to be imposed, charges, fees, costs, interests, expenses (including without limitation all legal costs and expenses, experts' and consultants' fees), actions, proceedings, depletion of assets, loss of profit, loss of business, cost of rectification, costs of removal, costs of reinstatement of Property (with reference to the physical state or the legal status of such Property at the time when such Property's owner or user became a subsidiary of the Group) and any other liability of whatever nature, and for the avoidance of doubt, the reduction in the Company's value shall be treated as Damage;

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"Litigation Claim" means any litigation, arbitration and/or legal proceedings, whether of criminal or administrative or contractual or tortious or otherwise nature, against any member of the Group which was issued and/or accrued and/or arising from any act or non-performance or omission or otherwise of any member of the Group on or before the Effective Date in Hong Kong, the PRC, the BVI, France or elsewhere, and for the avoidance of doubt, includes the failure of some members of the Group in the PRC to register with the competent housing provident fund management center and to make contributions to the housing provident funds for their employees prior to March 2010;

"Property" means any properties or premises, whether located in Hong Kong, the PRC, France or elsewhere, which are owned, leased, rented, occupied or used by any member of the Group as at the date of this document, including but not limited to those properties set out in the property valuation report, the text of which is contained in Appendix IV to this document; and

"Property Claim" means in relation to any Property (i) any property claims or third party claims or claims by the government of the jurisdictions in which the Property is/are located or mortgagee of the Property or chargee of the Property or claims of similar nature (if any) arising out of any breach or non-compliance of any applicable laws, rules and/or regulations affecting the Property and/or of the occupier of the Property and/or breach or non-compliance of other terms, conditions, covenants, restrictions of the relevant agreement (including but not limited to mortgage, legal charge and tenancy agreement) or of any (if any) land use right sale and purchase agreement or holding of any defective real estate title certificate or any other title documents in respect of the Property with reference to the physical state or the legal status of the Property at the time when such Property's owner or occupier became a subsidiary of the Company, or (ii) any eviction of any member of the Group from any Property as a result of any claim referred to in paragraph (i) above by any government authority or any third party.

2. Litigation

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

3. Preliminary expenses

[●]

APPENDIX VI	STATUTORY AND GENERAL INFORMATION
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4. Promoter

The promoter of the Company is Mr. Chan.

Save as disclosed in this document, within the two years preceding the date of this document, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of the Company in connection with [●] or the related transactions described in this document.

5. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
GFE Law Office	PRC lawyers
Ernst and Young	Certified public accountants
CB Richard Ellis	Chartered surveyors
Maples and Calder	Cayman Islands attorneys-at-law

6. Consents of experts

[●]

7. Binding effect

[●]

8. Agency fees or commission received

[●]

APPENDIX VI	STATUTORY AND GENERAL INFORMATION
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9. Disclaimers

Save as disclosed in this document :

- (a) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consent of experts" under the section headed "Other Information" in this Appendix is interested in the promotion of the Company, or in any assets which have been within the two years immediately preceding the issue of this document, or are proposed to be, acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other Information" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.

10. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries;
 - (iii) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) None of [●], GFE Law Office, Ernst and Young, CB Richard Ellis and Maples and Calder:
 - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

APPENDIX VI	STATUTORY AND GENERAL INFORMATION
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- (c) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (d) There are no arrangements in existence under which future dividends are to be or agreed to be waived.
- (e) There has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group within 12 months preceding the date of this document.