IMPORTANT

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

Stella International Holdings Limited

九興控股有限公司*

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under Global Offering	:	195,000,000 (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	19,500,000 (subject to reallocation)
Number of International Offering Shares	:	175,500,000 (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	Not more than HK$15.50 and expected to be not less than HK$12.50 per Hong Kong Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus 1% brokerage, SFC transaction levy of 0.004% and a Stock Exchange trading fee of 0.005%
Nominal value	:	HK$0.10 per Share
Stock code	:	1836

Sole Global Coordinator, Sole Bookrunner and Sole Sponsor

Goldman Sachs

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

A copy of this prospectus, having attached thereto the documents specified in Appendix VII "Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. The SFC and Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Global Coordinator, on behalf of the Underwriters, and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, June 28, 2007 and, in any event, not later than Wednesday, July 4, 2007. The Offer Price will be not more than HK$15.50 and is currently expected to be not less than HK$12.50, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum issue price of HK$15.50 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price should be lower than HK$15.50.

The Global Coordinator, on behalf of the Underwriters, may, with our consent, reduce the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the indicative Offer Price range will be published in the South China Morning Post (in English) and the Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If applications for the Hong Kong Offer Shares have been submitted prior to the last day for lodging applications under the Hong Kong Public Offering, then even if the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Global Coordinator (on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price, the Global Offering will not proceed and will lapse. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Offer Shares should note that the Global Coordinator, in its sole and absolute discretion may, on behalf of the Hong Kong Underwriters, terminate the Hong Kong Underwriting Agreement by notice in writing to our Company given by the Global Coordinator (on behalf of the Underwriters), upon occurrence of any of the events set forth in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day that trading in the Offer Shares commences on the Stock Exchange. It is important that you refer to that section for further details.

June 22, 2007

** for identification purposes only*

EXPECTED TIMETABLE (1)

Latest time to lodge **PINK** Application Forms	8:00 p.m. on Tuesday, June 26, 2007
Application Lists open (2)	11:45 a.m. on Wednesday, June 27, 2007
Latest time for lodging **WHITE** and **YELLOW** Application Forms (2)	12:00 noon on Wednesday, June 27, 2007
Latest time to give **electronic application instructions** to HKSCC (3)	12:00 noon on Wednesday, June 27, 2007
Application Lists close (2)	12:00 noon on Wednesday, June 27, 2007
Expected Price Determination Date (4)	Thursday, June 28, 2007

Announcement of:

- the Offer Price;
- an indication of the level in the interest in the International Offering;
- the level of applications of the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Thursday, July 5, 2007
Announcement of results of allocation be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares – Results of Allocations" in this prospectus from	Thursday, July 5, 2007
Despatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications on or before (5)	Thursday, July 5, 2007
Despatch of refund cheques in respect of wholly or partially unsuccessful applications on or before (5)	Thursday, July 5, 2007
Dealings in the Shares on the Main Board expected to commence on	Friday, July 6, 2007

(1) All dates and times refer to Hong Kong local time and dates. Details of the structure of the Global Offering, including its conditions are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Wednesday, June 27, 2007, the Application Lists will not open or close on that day. For further information please refer to the section headed "How to Apply for Hong Kong Offer Shares – When to Apply for the Hong Kong Offer Shares – Effect of bad weather conditions on the opening of the Application Lists" in this prospectus.

(3) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares – How to Apply by Giving Electronic Application Instructions to HKSCC" in this prospectus.

(4) The Price Determination Date is expected to be on or about Thursday, June 28, 2007 and, in any event, not later than Wednesday, July 4, 2007. If, for any reason, the Offer Price is not agreed between the Global Coordinator (on behalf of the Underwriters) and our Company by Wednesday, July 4, 2007, the Global Offering will not proceed and will lapse.

(5) Refund cheques will be issued in respect of wholly successful applications if the Offer Price is less than the price payable on application and wholly or partially unsuccessful applications. Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and who have indicated in their Application Forms their wish to collect their Share certificates and/or refund cheques (where applicable) in person may do so from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Securities Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, July 5, 2007 or on the date notified by our Company as the date of despatch of Share certificates and refund cheques. An applicant being an individual who opts for collection in person must not authorize any other person to make the collection on his or her behalf. An applicant being a corporation that opts for collection in person must attend through its authorized representative bearing a letter of authorization from such corporation stamped with the corporation's chop. Both individuals and authorized representatives, as the case may be, must produce at the time of

collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar. Uncollected refund cheques and Share certificates will be despatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk.

(6) The Share certificate(s) and/or refund cheque(s) for applicants who apply on **PINK** Application Forms will be sent to the Company on behalf of such applicants on the date of despatch mentioned above or another date notified by us in the newspaper as the date of despatch of Share certificates/refund cheques, and the Company will arrange for onward despatch to such applicants to the addresses indicated in their Application Form by ordinary post and at their own risk.

Our Company will not issue any temporary documents of title in respect of the Offer Shares. Share certificates will only become valid certificates of title if (i) the Hong Kong Public Offering has become unconditional in all respects; (ii) the Hong Kong Offer Shares allocated to the successful applicants in the Hong Kong Public Offering have been issued and allotted or transferred to such persons on the Company's branch register of members in Hong Kong; and (iii) neither of the Underwriting Agreements has been terminated in accordance with their respective terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorized anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by you as having been authorized by the Company, the Global Coordinator, the Underwriters, any of their respective Directors or any other person or party involved in the Global Offering.

Please note that the totals set forth in the tables in the prospectus may differ from the sum of individual items in such tables due to rounding.

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We develop and manufacture footwear products for leading casual and fashion footwear companies worldwide and have begun to establish our own retail distribution network and introduced our own Stella Luna brand of women's fashion footwear.

Our customers include six of the top ten casual footwear companies, based on revenue in 2005, including Clarks, Deckers, ECCO, Rockport, Timberland and Wolverine, and leading fashion footwear companies, such as Cole Haan, Kenneth Cole and Nine West. We also develop and manufacture footwear for high-fashion brands such as Celine, Christian Lacroix, Donna Karan New York, Emilio Pucci, Enzo Angiolini, Givenchy, Kenzo, Loewe, Marc by Marc Jacobs, Paul Smith, Sigerson Morrison and Via Spiga. In addition, we design, develop and manufacture private label footwear for several well-known large chain-store retailers such as J.C. Penney.

We manufacture footwear at our facilities in Guangdong Province, China and through processing and contractual arrangements in both China and Vietnam. We have the flexibility to manufacture a broad range of customized designs, ranging from men's to women's footwear, and from casual to fashion footwear, with short lead times and the scale to achieve cost efficiency. We also provide footwear development services, which involve realizing design concepts into prototypes and producing samples. In addition, we provide fashion footwear design services. We believe that, with our expertise in product design and development and our experience in high-quality manufacturing, we are well positioned to attract and retain leading casual and fashion footwear brand companies as customers and to achieve an average selling price higher than the industry average.

We have more than 300 development teams, which are all based in Guangdong Province, China. We operate four manufacturing facilities in Guangdong Province with 36 production lines to manufacture men's or women's footwear. Our products are also manufactured at six other facilities in China and Vietnam pursuant to processing and contractual arrangements. As of December 31, 2006, the estimated total capacity of the production lines in China and Vietnam (including those manufacturing facilities used by us pursuant to processing and contractual arrangements) was approximately 45 million pairs of footwear per year. We also outsource the production of some of our private label footwear and occasionally subcontract certain components and tooling of casual and fashion footwear, such as less complex patterns on uppers that require extensive manual stitching, to a large number of unaffiliated third-party manufacturers in China.

In 2006, we began to establish our own retail distribution network and introduced our own Stella Luna brand of women's fashion footwear in order to leverage our experience in footwear, and knowledge of and proximity to the PRC market, to take advantage of the market opportunities presented by the growing number of middle and upper-middle class consumers in China. Under our Stella Luna brand, we sell women's fashion footwear which we design, develop and manufacture, and other leather goods, such as handbags, for which we primarily focus on product design. We also sell Guess women's fashion footwear in our retail stores. In March 2006, we opened our first stand-alone flagship store in Shanghai, and in May 2006, we opened a Stella Luna boutique store in a Shanghai shopping mall. As of the Latest Practicable Date, we have 37 retail stores in 21 major cities in China. Outside of China, we have opened two retail stores in Bangkok, Thailand and one retail store in Phuket, Thailand and plan to open one retail store in Macau and two retail stores in Taiwan in 2007. We may continue to expand beyond China if attractive opportunities arise.

SUMMARY

We sold approximately 35.8 million, 37.8 million and 43.4 million pairs of footwear in 2004, 2005 and 2006, respectively. For the same periods, our revenue was US$575.4 million, US$668.9 million, and US$779.3 million, respectively, representing a compound annual growth rate of 16.4%, and our profit was US$52.8 million, US$85.4 million, and US$91.4 million, respectively.

COMPETITIVE STRENGTHS

We believe our principal competitive strengths include the following:

Our expertise and capabilities in footwear design and development enhance our ability to attract brand customers and maximize profitability.

We believe that our footwear design and development expertise and our flexibility in meeting the quality, cost, volume and delivery schedule requirements of leading casual and fashion footwear brand companies have been the principal drivers of our success, particularly in attracting and retaining footwear brand customers and enhancing profitability, as evidenced by our strong track record of profitability. We focus on serving casual and fashion footwear brand customers, who typically require more sophisticated product design and development capabilities and shorter lead times as compared to mass market footwear customers, since brand customers typically introduce new products and designs frequently to meet rapidly changing consumer fashion trends. We also increasingly collaborate with our customers in the shoe design process.

We believe that our ability to offer our customers one-stop design, development and manufacturing solutions allows us to be more responsive to changes in consumer preferences, to develop and manufacture products with more complex designs and to charge a premium for the development and manufacturing service. This capability is a significant competitive advantage as many of our competitors currently do not offer as comprehensive a range of services, and lack the level of craftsmanship and expertise that we have accumulated from our years of experience.

We have built a broad customer base and established long-term relationships with leading casual and fashion footwear brand companies.

We design, develop and manufacture footwear for a broad customer base which includes many of the world's leading footwear brand companies. Footwear made by us is sold across many parts of Europe, North America and Asia. We have cultivated long-term relationships with most of our key customers. In 2006, four of our top ten customers had been our customers for more than ten years and another three had been our customers for more than five years.

Our strong customer relationships, and close collaboration with leading casual and fashion footwear brand companies in the design and development process, give our product design and development teams the opportunity to keep abreast of changing fashion trends. This has also helped us to develop or acquire the techniques and know-how needed to meet our customers' exacting standards and quality control requirements while effectively controlling costs.

We are able to manufacture high-quality footwear in small, customized orders to meet the needs of our brand customers, particularly high-fashion footwear customers.

One of our competitive advantages is our ability to fill a high volume of orders to manufacture a broad range of designs of high-quality footwear cost-effectively in small, customized batches (*i.e.*, less than 1,000 pairs of footwear per design). This has been an important factor in our success with brand customers, who increasingly place small, customized orders, especially those with higher average selling prices, in particular high-fashion footwear customers. We are able to produce small batches of complex, high quality footwear. This enables us to charge higher prices given the complexity and craftsmanship involved. At the same time, we are also able to maintain a large scale production to enjoy cost efficiency. This unique combination allows us to attract fashion-conscious brand customers, as they are able to produce small batches of each design to respond to changing consumer preferences and hence yield higher margins and enhance our profitability.

We have developed flexible and efficient manufacturing operations.

In our more than 20 years as a footwear manufacturer, we have developed significant industry know-how and expertise, permitting us to manage our production lines with a view to optimizing efficiency. We operate flexible production lines that can be cost-effectively converted to enable the manufacture of a broad range of designs and styles of footwear, achieving a low per-unit production cost for products with small volume orders and higher average selling prices. We believe we are among a limited number of manufacturers that can do this cost-effectively and on such scale, as other manufacturers, such as mass production athletic footwear manufacturers, typically focus on large-scale production (which can be over a million pairs of footwear per design) that requires more automated mass production but generally yields lower margins.

We have a strong senior management team with in-depth industry knowledge and an established track record, whose interests are aligned with our Company.

We have a strong senior management team with in-depth industry knowledge and an established track record at our Company. Many of our senior managers have more than 20 years of experience in the footwear industry, and most members of our management team have been with our Company for 15 years or more. Our senior management team has employed its industry knowledge and experience to successfully develop our business and to establish long-term relationships with many leading casual and fashion brand footwear companies. We believe that our Company has benefited from our policy of aligning our senior management's interests with our Company's interests. As of the Latest Practicable Date, our senior management members and employees (other than the executive Directors) beneficially own approximately 40% of our Company through their ownership of Cordwalner Bonaventure Inc., the parent and sole shareholder of our Company.

STRATEGIES

We have the following principal strategies:

Continue to provide value-added solutions by focusing on design and development.

We seek to deepen our relationships with customers and secure higher-margin business by providing our customers with a range of value-added services and solutions. Unlike many Asia-based footwear manufacturers that focus primarily on manufacturing, we offer integrated, value-added services to our customers focusing on design and development. We encourage our customers to regard us not only as a footwear manufacturer, but also as an integral partner for each stage of the manufacturing process, beginning with concept design and continuing through product development to the final delivery of high-quality products. Our design and development expertise spans a broad range of processes from selecting the appropriate materials and sole units to match the design, developing the prototype, to creating the model lasts which are critical to the production process.

Target the women's fashion footwear market.

We expect worldwide demand for women's fashion footwear to continue to grow. We plan to leverage our expertise and experience in design and development to retain and attract more women's fashion footwear brand companies as our customers. As women's fashion footwear requires precise manufacturing skill, short lead time and timely delivery, we plan to utilize our manufacturing facilities in China to produce more women's fashion and high-fashion footwear, which benefit from convenient access to our management and product development teams, while outsourcing the manufacturing of private label products to third-party manufacturers.

Enhance recognition of our "Stella" brand as a leading footwear manufacturer and retailer of women's fashion footwear and related accessories in China.

We intend to leverage the broad customer acceptance of our products and industry recognition by building our corporate name "Stella" and related brand names to reinforce our reputation as the leading footwear company. We seek to position our Stella Luna brand of women's fashion footwear in the medium to medium-high end segment, to take advantage of the significant market opportunities in China. China's rapid economic growth in recent years has produced a large and growing number of middle and upper-middle class consumers who are increasingly adopting lifestyle and fashion trends similar to those seen in the more developed economies of Europe, North Asia and other parts of Asia. We believe that this should lead to increased per capita spending on fashion items and accessories, including for casual and fashion footwear. With our expertise in high-quality footwear development and manufacturing, we believe that we are well-positioned to take advantage of this market opportunity. In addition to opening retail stores in China, we opened two retail stores in Bangkok, Thailand and one retail store in Phuket, Thailand and plan to open one retail store in Macau and two retail stores in Taiwan in 2007. We may continue to expand beyond China if attractive opportunities arise.

Optimize manufacturing capacity by focusing on higher margin, value-added manufacturing.

Where we believe it is efficient to do so, we will continue to shift the production of footwear with lower average selling prices to manufacturing facilities in Vietnam pursuant to our contractual arrangements, and to occasionally outsource a portion of such production to high-quality third-party independent manufacturers. We have taken these steps with a view to dedicating a greater portion of the manufacturing capacity of our own facilities in China to design, develop and manufacture footwear on which we can earn higher margins. We will also continue to evaluate the addition of new manufacturing facilities pursuant to processing or contractual arrangements in the region, including in the Indian subcontinent and Southeast Asia, to service the increasing demand from our customers, and to take advantage of the lower costs of production, beneficial tariff and duties policies and availability of skilled labor.

Further strengthen manufacturing capacity by enhancing operational efficiency.

We seek to further strengthen our manufacturing capacity by enhancing our operational efficiency. We have initiated a "continuous improvement program" and have engaged independent consulting firms specialized in improving operating efficiency to help us evaluate manufacturing performance, identify production bottlenecks, and design and implement programs to improve our operating efficiency. In addition, we seek to expand our manufacturing capacity at our existing manufacturing facilities by increasing the number of daily production shifts and adjusting the number and the size of our production lines to adapt to our customers' demand.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary audited combined financial data about our Company. We have derived the combined financial data for the years ended December 31, 2004, 2005 and 2006 from our audited combined financial statements set forth in the accountants' report in Appendix I to this prospectus. The summary combined financial data should be read together with, and is qualified in its entirety by reference to, these combined financial statements, including the related notes.

	For the Year Ended December 31,		
	2004	2005	2006
	(in thousands, except earnings per share)		
Income Statement Data:			
Revenue	US$ 575,353	US$ 668,926	US$ 779,346
Cost of sales	(462,074)	(522,554)	(613,686)
Gross profit	113,279	146,372	165,660
Other income	6,885	14,232	15,007
Selling and distribution costs	(22,299)	(27,563)	(31,666)
Administrative expenses	(22,879)	(22,680)	(28,876)
Research and development costs	(21,880)	(24,514)	(26,403)
Finance costs	(13)	(31)	(91)
Profit before taxation	US$ 53,093	US$ 85,816	US$ 93,631
Taxation	(324)	(394)	(2,257)
Profit for the year	US$ 52,769	US$ 85,422	US$ 91,374
Earnings per share – basic	US$ 0.090	US$ 0.146	US$ 0.156
Balance Sheet Data:			
Non-current assets	US$ 137,174	US$ 141,337	US$ 154,683
Current assets	264,717	345,352	408,288
Total assets	US$ 401,891	US$ 486,689	US$ 562,971
Current liabilities	83,494	110,671	123,650
Total liabilities	83,494	110,671	123,650
Total equity	318,397	376,018	439,321
Total liabilities and equity	US$ 401,891	US$ 486,689	US$ 562,971

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2007 (1)

Forecast combined profit attributable to equity holders of the Company(2)	not less than US$103.9 million
Forecast earnings per Share	
(a) Pro Forma fully diluted (3)	US$0.13 (HK$1.01)
(b) Weighted average (4)	US$0.18 (HK$1.40)

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

(2) The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix II "Profit Forecast" to this prospectus.

(3) The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2007, assuming that our Company had been listed since January 1, 2007 and a total of 780,000,000 Shares were issued and outstanding during the entire year. This calculation assumes that the Over-allotment Option will not be exercised and the Shares to be issued pursuant to the Global Offering and the Capitalization Issue were issued on January 1, 2007.

(4) The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast combined profit for the year ending December 31, 2007 and a weighted average number of 579,123,287 Shares issued and outstanding during the year. The weighted average number of 579,123,287 Shares is calculated starting from the date of incorporation of the Company.

OFFERING STATISTICS (1)

	Based on an Offer Price of HK$12.50	Based on an Offer Price of HK$15.50
Market capitalization of our Shares (2)	HK$9,750 million	HK$12,090 million
Prospective price/earnings multiple		
(a) Pro Forma fully diluted (3)	12.4 times	15.3 times
(b) Weighted average (4)	8.9 times	11.1 times
Unaudited pro forma adjusted net tangible asset per Share (5)	US$0.94 (HK$7.31)	US$1.04 (HK$8.09)

(1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.
(2) The calculation of market capitalization is based on 780,000,000 Shares expected to be in issue following the Global Offering and the Capitalization Issue.
(3) The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per Share on a pro forma fully diluted basis at the respective issue prices of HK$12.50 and HK$15.50.
(4) The calculation of the prospective price/earnings multiple on a weighted average basis is based on the forecast earnings per Share on a weighted average basis at the respective issue prices of HK$12.50 and HK$15.50.
(5) The adjusted net tangible asset value per Share has been prepared on the basis set forth the section headed "Unaudited Pro Forma Adjusted Net Tangible Assets" in Appendix III " Unaudited Pro Forma Financial Information" to this prospectus.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK$14.00 (being the mid-point of the estimated Offer Price range of HK$12.50 and HK$15.50), the adjusted net tangible asset value per Share will be HK$7.92 per Share, while the earnings per Share on a pro forma fully diluted basis and on a weighted average basis will be diluted correspondingly to HK$1.01 and HK$1.40, respectively.

DIVIDEND AND DIVIDEND POLICY

On June 15, 2007, we declared a special dividend in the amount of US$220 million to our sole shareholder, Cordwalner Bonaventure Inc., which will be paid prior to the Listing Date. Purchasers of the Offer Shares in the Global Offering will not be entitled to this special dividend. To finance the payment of this special dividend, because of the size of the special dividend, in May and June, 2007, we were granted by The Hongkong and Shanghai Banking Corporation Limited and Chinatrust Commercial Bank Ltd. with short-term loan facilities in an aggregate amount of US$90 million. Such loan facilities were secured by corporate guarantees and charges over deposit of Cordwalner Bonaventure Inc., which will lapse or be released upon the Listing. We intend to use a portion of the proceeds of this Global Offering to repay the entire amount of such loan. Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds from the Global Offering" in this prospectus.

Our Directors expect that in the future, dividends (if any) will be paid on a semi-annual basis in respect to any financial year. Subject to the factors described in the section headed "Dividends, Dividend Policy and Distributable Reserves – Dividend Policy" in this prospectus, our Directors currently intend to declare cash dividends in an amount equivalent to not less than 40% to 60% of the combined profit attributable to our equity holders for the periods subsequent to January 1, 2007. We intend to declare a cash dividend with respect to the six months ending June 30, 2007. Holders of our Shares as of the applicable record date will be entitled to such dividend.

USE OF PROCEEDS OF THE GLOBAL OFFERING

We estimate that we will receive net proceeds from the Global Offering of approximately HK$2,599 million, after deducting the estimated underwriting fees and expenses payable by us in the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$14.00 per Offer Share, being the mid-point of the indicative Offer Price range. We intend to use the net proceeds from the Global Offering as follows:

- as to HK$272 million (approximately US$35 million or approximately 10% of the net proceeds payable to our Company), for the expansion of manufacturing capacity, including the setting up of a new manufacturing facility in Huizhou, China and the expansion of production capacity and capability at the Vietnam-2 Plant;

- as to HK$233 million (approximately US$30 million or approximately 9% of the net proceeds payable to our Company), for funding the expansion of the Company's retail business in China, including the roll-out of new retail stores across China;
- as to HK$1,133 million (approximately US$146 million or approximately 44% of the net proceeds payable to our Company), for the potential acquisitions of footwear and related accessories brands and businesses;
- as to HK$700 million (approximately US$90 million or approximately 27% of the net proceeds payable to our Company) for the servicing and repayment of the short-term loan facilities granted by The Hongkong and Shanghai Banking Corporation Limited and Chinatrust Commercial Bank Ltd. used for the financing of a special dividend to be paid prior to the Listing Date; and
- as to the balance of HK$260 million (approximately US$33 million or approximately 10% of the net proceeds payable to our Company), for general working capital purposes.

In the event that the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK$12.50 to HK$15.50 per Offer Share, the net proceeds from the issue of new Shares will decrease by approximately HK$283 million to approximately HK$2,315 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). In such case, our Directors intend to reduce correspondingly the amount to be applied for both the potential acquisition of footwear and related accessories brands and business and general working capital purposes. Save for such change, the Directors intend to apply the net proceeds from the issue of new Shares in the same manner as the above usages.

In the event that the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK$12.50 to HK$15.50 per Offer Share, the net proceeds of the issue of new Shares will increase by approximately HK$283 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). Our Directors intend to apply such additional net proceeds for the potential acquisition of footwear and related accessories brands and business.

In the event that any part of the business plans of our Group does not materialize or proceed as planned, our Directors will carefully evaluate the situation and may re-allocate the intended use of proceeds to fund other business plans and/or new projects of our Group and/or hold such proceeds as short-term deposits for so long as our Directors consider it to be in the best interest of our Group and our Shareholders taken as a whole. Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make an announcement in due course.

To the extent that the net proceeds from the issue of new Shares are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorized financial institutions in Hong Kong for so long as it is in our best interests. We will also disclose the same in the relevant annual report.

RISK FACTORS

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

Risks Relating to Our Company and Our Business

- Our results of operations could be adversely affected if we fail to keep pace with customer demands for product design, development and manufacturing of casual and fashion footwear.

- Demand for casual and fashion footwear in North America and Europe and for retail fashion footwear in China can be volatile and any decrease in demand in those regions could seriously harm our results of operations.
- The casual and fashion footwear manufacturing industry is highly competitive.
- We are exposed to potentially significant fluctuations in our results of operations from period to period.
- Our success depends on our customers' ability to successfully sell their products developed and manufactured by us.
- We rely on several key customers in our casual and fashion footwear production.
- We do not have long-term purchase commitments from our customers, which may result in significant uncertainty and volatility with respect to our revenue from period to period.
- We have been operating at close to full capacity and expect to continue to do so in the near future, and improvements in our future operating results may depend on the results of our future expansion, our ability to improve efficiency and production at the existing manufacturing facilities, and our ability to identify suitable third-party manufacturers for outsourcing and subcontracting.
- We rely on manufacturing facilities that we do not own but use pursuant to processing and contractual arrangements. Any failure in or interruption of business at these manufacturing facilities will adversely affect our results of operations.
- We depend on third-party manufacturers to manufacture certain casual and fashion footwear components and private label footwear products for us.
- We may lack the experience and resources to maintain and expand our retail business profitably.
- Our retail business may adversely impact our relationships with existing customers.
- As we expand our retail business outside of China and as we open up a branch office in Taiwan, we may face added business, political, regulatory, operational, financial and economic risks, any of which could materially harm our financial performance and hinder our growth.
- Our operating results may be adversely affected if we are unable to pass on increases in raw material costs to our customers.
- A slowdown or reversal in the trend to outsource footwear development and manufacturing services to China-based manufacturers such as us could adversely affect our growth prospects and profitability.
- We depend upon the services of key personnel.
- Title defects affecting some of the properties in China that we use or lease, or that are the subject of our processing agreements, including properties where our products are manufactured, could adversely affect our ownership and use of such properties.
- Failure to secure additional funding in the future may materially and adversely affect our growth prospects and future profitability.
- Our insurance coverage may not be sufficient to cover the risks related to our operations and losses.
- We may become involved in trade secret disputes with regard to our footwear design, development and manufacturing processes.
- The interests of our controlling shareholder may differ from those of our other shareholders.

- Economic, political, legal and regulatory conditions in Vietnam may materially and adversely affect our business.
- China and/or Vietnam may be adversely affected by a recurrence of SARS, an outbreak of avian influenza or an outbreak of other epidemics, thereby affecting our prospects.
- Higher labor costs would reduce our margins and profitability.
- Labor disputes could significantly disrupt our manufacturing operations.
- Our manufacturing operations are subject to various customer-imposed safety, health and environmental guidelines that may increase our costs or restrict our operations.
- Our subsidiary in China is subject to restrictions on paying dividends or making other distributions to us.
- US and EU trade policies and legislation have a potentially significant impact on our business and results of operations.
- We may fail to integrate future acquired businesses successfully.

Risks Relating to the PRC

- Changes in political and economic policies may have a negative impact on our operations.
- Macroeconomic measures taken by the PRC government may cause the PRC economy to slow down.
- Changes in foreign exchange regulations may adversely affect our results of operations and financial condition.
- Fluctuation in the value of RMB may have a material adverse effect on our business.
- Changes and uncertainties in the PRC legal system may have an adverse impact on our operations.

Risks Relating to the Global Offering

- There has been no prior public market for our Shares and an active trading market may not develop.
- The trading volume and share price of our Shares may fluctuate.
- Investors will experience dilution in pro forma net tangible book value because the Offer Price is higher than our net tangible book value per Share.
- Dividends paid in the past may not be indicative of the amount of future dividend payments or our future dividend policy.
- Future sales of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.
- Investors should not place undue reliance on industry and market information and statistics derived from official government publications contained in this prospectus.
- You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law and Cayman Islands law may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.

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

"Application Form(s)"	**WHITE**, **YELLOW** and **PINK** Application Form(s), or where the context requires, any of them, relating to the Global Offering
"Application Lists"	the application lists for the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company, adopted on June 15, 2007
"associates"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board"	the board of directors of our Company
"business day"	any day (excluding Saturday, Sunday or public holidays) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Capitalization Issue"	the issue of 584,000,000 Shares to be made upon capitalization of an amount of HK$58,400,000 standing to the credit of the share premium account of the Company referred to in the section headed "Further Information About Our Company – Resolutions of the Company's sole shareholder passed on June 15, 2007" in Appendix VI "Statutory and General Information" to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company", "our Company", "we", "us" or "our"	Stella International Holdings Limited, an exempted company incorporated in the Cayman Islands on March 5, 2007 with limited liability and, except where the context otherwise requires, its subsidiaries after the Reorganization, or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by us upon our establishment
"connected person"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Core Owners"	the 97 individuals, comprising Mr. Jimmy Chen, Mr. Jack Chiang, Mr. Eric Chao, Mr. Shieh Tung-Pi, Billy, Mr. Chi Lo-Jen, Stephen and Mr. Shih Takuen, Daniel, their respective spouses and other family members, 77 other senior management and employees of our Group, a former employee of our Group and four passive investors of our Group, who were our beneficial owners immediately prior to the implementation of the Reorganization, details of whom are set out in the section headed "Further Information About Our Company – Reorganization" in Appendix VI "Statutory and General Information" to this prospectus
"Director(s)"	the director(s) of our Company as of the date of this prospectus
"Dongguan Stella Footwear"	東莞興昂鞋業有限公司 (Dongguan Stella Footwear Co. Ltd.), a company which was established in the PRC on June 12, 2003. It is a wholly foreign-owned enterprise and an indirect wholly-owned subsidiary of the Company
"EU"	the European Union
"Global Coordinator" or "Sponsor"	Goldman Sachs (Asia) L.L.C.
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, our Company's current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS(s)"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Offer Shares"	the 19,500,000 Offer Shares initially being offered for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the Application Forms
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting – Underwriters – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 21, 2007 relating to the Hong Kong Public Offering entered into among the Company, Cordwalner Bonaventure Inc., Mr. Jimmy Chen, Mr. Jack Chiang and the Hong Kong Underwriters
"**Huizhou Stella**"	惠州興昂鞋業有限公司 (Huizhou Stella Footwear Co. Ltd.), a company which was established in the PRC on June 30, 2004
"independent third party(ies)"	a person(s) or company(ies) who/which is or are independent of and not connected with our Company and our connected persons
"INEDs"	independent non-executive Directors
"International Offering Shares"	the 175,500,000 Shares being initially offered by the Company for subscription at the Offer Price pursuant to the International Offering together, where relevant, with any additional Shares issued or sold pursuant to the exercise of the Over-allotment Option, the number of which is further subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the offer and sale of the International Offering Shares to QIBs in the United States in reliance on Rule 144A or another exemption under the US Securities Act, and outside the United States in reliance on Regulation S, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Purchasers"	the group of underwriters led by Goldman Sachs (Asia) L.L.C. of the International Offering

"International Purchase Agreement"	the purchase agreement relating to the International Offering and to be entered into among the Company, Cordwalner Bonaventure Inc. and the International Purchasers on or around June 28, 2007
"Latest Practicable Date"	June 15, 2007, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
"Longchuan Simona Footwear"	龍川興萊鞋業有限公司 (Longchuan Simona Footwear Co. Ltd.), a company which was established in the PRC on August 15, 2000. It is a wholly foreign-owned enterprise and an indirect wholly owned subsidiary of the Company
"Long Term Incentive Scheme"	the long term incentive scheme conditionally approved by a written resolution of the Shareholders passed on June 15, 2007 and adopted by a resolution of the Board on June 15, 2007 and as further amended by a resolution of the duly authorized committee of the Board on June 18, 2007, a summary of the principal terms of which is set out in the section headed "Long Term Incentive Scheme" in Appendix VI "Statutory and General Information" to this prospectus
"Listing"	the listing of our Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	July 6, 2007, being the date on which dealings in our Shares are expected to commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mr. Eric Chao"	趙明靜先生 (Mr. Chao Ming-Cheng, Eric), an executive Director of our Company
"Mr. Jimmy Chen"	陳建民先生 (Mr. Chen Jiann-Min, Jimmy), the chairman and executive Director of our Company and a brother of Mr. Lawrence Chen
"Mr. Lawrence Chen"	陳立民先生 (Mr. Chen Li-Ming, Lawrence), the vice president and the chief operating officer of our Company and a brother of Mr. Jimmy Chen
"Mr. Jack Chiang"	蔣至剛先生 (Mr. Chiang Jeh-Chung, Jack), an executive Director, the president and the chief executive officer of our Company
"Nomination Committee"	the nomination committee of our Board

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) of not more than HK$15.50 and expected to be not less than HK$12.50, such price to be agreed upon by us and the Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Date
"Offer Share(s)"	the Hong Kong Offer Share(s) and the International Offer Share(s)
"Over-allotment Option"	the option granted by us to the International Purchasers exercisable by the Global Coordinator on behalf of the International Purchasers pursuant to which the Company may be required to allot and issue up to an additional aggregate of 29,250,000 new Shares (in aggregate representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocation in the International Offering, details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC Rate"	the exchange rate for foreign exchange transactions set daily by the People's Bank of China based on the previous day's China interbank foreign exchange market rate and with reference to current exchange rates on the world financial markets
"PRC" or "China"	the People's Republic of China, which, unless otherwise stated, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this prospectus, unless otherwise specified
"Price Determination Date"	the date, expected to be on or around June 28, 2007, on which the Offer Price is to be fixed by agreement between us and the Global Coordinator (on behalf of the Underwriters) to determine the Offer Price
"QIBs"	Qualified Institutional Buyers as defined in Rule 144A under the US Securities Act
"Regulation S"	Regulation S under the US Securities Act
"Reorganization"	the corporate reorganization of the Group in preparation for the listing of the Shares on the Stock Exchange described in the section headed "Further Information About Our Company – Reorganization" in Appendix VI "Statutory and General Information" to this prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act
"Sabina"	東莞興和塑膠制品有限公司 (Sabina Footwear Co. Ltd.), a company which was established in the PRC on April 10, 2004
"Sanford International"	東莞興泰鞋材有限公司 (Sanford International Co. Ltd.), a company which was established in the PRC on April 13, 2001

"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the share capital of our Company
"Shareholder(s)"	holder(s) of our Share(s)
"Shenandoah"	興鵬國際股份有限公司 (Shenandoah Trading Co. Ltd.), a company which was established in Taiwan on July 2, 1992
"Sincerely International"	東莞興立精密模具有限公司 (Sincerely International Ltd.), a company which was established in the PRC on April 11, 2004
"SIL"	Stella International Limited, a company incorporated in Vanuatu on September 16, 1996. It is a wholly-owned subsidiary of the Company
"sq.m."	square meter
"Stabilization Manager"	Goldman Sachs (Asia) L.L.C.
"Stella Footwear Factory"	東莞長安霄邊興昂鞋廠 (Stella Footwear Factory), an enterprise which was established in the PRC on January 25, 1991
"Stella Luna Fashion"	興記九興貿易(上海)有限公司 (Stella Luna Fashion Inc.), a company which was established in the PRC on January 23, 2006. It is a wholly foreign-owned enterprise and an indirect wholly owned subsidiary of the Company
"Simona Tannery"	興昂制革(惠州)有限公司 (Simona Tannery Co. Ltd.), a company which was established in the PRC on October 14, 2003
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilization Manager (or its affiliate acting on its behalf) and Cordwalner Bonaventure Inc., pursuant to which Cordwalner Bonaventure Inc. will agree to lend up to 29,250,000 Shares to the Stabilization Manager on the terms set forth therein
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 2 of the Companies Ordinance
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Track Record Period"	the three financial years ended December 31, 2006
"Underwriters"	the Hong Kong Underwriters and the International Purchasers
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Purchase Agreement

"US" or "United States"	the United States of America
"US Securities Act"	the United States Securities Act of 1933, as amended
"US$" or "US dollars"	United States dollars, the lawful currency of the US
"WTO"	the World Trade Organization
"Xintan Footwear"	東莞興騰鞋材有限公司 (Dongguan Xintan Footwear Co. Ltd.), a company which was established in the PRC on November 2, 2005
"%"	per cent.

Prospective applicants for the Offer Shares should carefully consider all of the information set forth in this prospectus and, in particular, the following risk factors in connection with an investment in us. Our business could be materially and adversely affected by any of the risks and uncertainties described below. The trading price of our Shares may decline due to any of these risks and uncertainties and you may lose all or part of your investment.

We have included in this prospectus forward-looking statements that state our beliefs, expectations, intentions or predictions for the future. The forward-looking statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions, including the risk factors disclosed in this prospectus.

In some cases, we use words such as "believe", "will", "may", "should", "expect", "intend", "anticipate", "estimate", "project", "plan", "potential", "envisage" and similar expressions to identify forward-looking statements. Although we believe that the expectations and intentions reflected in those forward-looking statements are reasonable, no assurance can be given that those expectations and intentions will prove to have been correct, and you are cautioned not to place undue reliance on such statements. All forward-looking events or circumstances contained in this prospectus might not occur in the manner we expect. Accordingly, you should not place undue reliance on such forward-looking information. Please refer to the section headed "Forward-Looking Statements" in this prospectus.

RISKS RELATING TO OUR COMPANY AND OUR BUSINESS

Our results of operations could be adversely affected if we fail to keep pace with customer demands for product design, development and manufacturing of casual and fashion footwear.

We develop and manufacture footwear for leading casual and fashion footwear companies and have begun to establish our own retail distribution network. Our future growth and success depend significantly on the development of the rapidly changing casual and fashion footwear market. The development of the casual and fashion footwear market depends on various factors, including changes in consumers' preferences, spending patterns and demand for new styles. If we do not respond to the evolving market and the changing consumer preferences in a timely manner, the growth and success of our business could be materially and adversely affected. Our operating results could be adversely affected should we be unable to:

- continue to be competitive in our product design and development capabilities;
- maintain short cycles for design and development while meeting evolving industry production standards;
- maintain the high quality of our precision manufacturing;
- distribute products in a timely and efficient manner in response to customer demand; or
- maintain our efficient and low-cost basis operation.

Demand for casual and fashion footwear in North America and Europe and for retail fashion footwear in China can be volatile and any decrease in demand in those regions could seriously harm our results of operations.

Demand for casual and fashion footwear is sensitive to many factors, including cyclical and other changes in regional and global economic conditions. In our original design manufacturing business, our results of operations are linked to the economic conditions and general level of spending on casual and fashion footwear in countries where footwear that we manufacture for our customers is shipped. For example, we derive a significant portion of our revenue from sales to customers with shipment destinations in North America and Europe. In 2006, 2005 and 2004, revenue generated from sales to North America accounted for 62.3%, 67.0% and 68.5%, respectively, and revenue generated from sales to Europe accounted for 28.4%, 25.2% and 22.6%, respectively, of our total revenue. An economic downturn in these regions could significantly decrease demand for casual and fashion footwear, particularly high-fashion footwear. Due to the cyclical nature of the casual and fashion footwear industry, sales of our products may not continue to increase and may decline from current levels. A downturn in the market for casual and fashion footwear products could have a significant adverse impact on our results of operations and financial condition.

Likewise, our retail fashion footwear business, under our own brand Stella Luna, is susceptible to economic changes and other factors that affect demand. Our ability to successfully expand our Stella Luna brand and our retail fashion footwear business in China depends on China's continued economic growth and growing consumption by middle and upper-middle class consumers in China. If China's disposable income and spending on women's fashion footwear do not grow as expected, or if China suffers a slowdown in its economic development, our retail business and branding strategy in China could be adversely affected.

The casual and fashion footwear manufacturing industry is highly competitive.

The casual and fashion footwear manufacturing industry is highly competitive and is characterized by frequent introduction of new designs, short product life cycles, price sensitivity, and customers' focus on quality and timely delivery. We cannot assure you that we will be able to sustain our competitive position in the future. Furthermore, the industry has experienced rapid advances in casual and fashion footwear designs and features. Our competitors, including new entrants, may offer better product development or manufacturing services and/or lower prices than we do and they may increase their market share at our expense. To the extent that we are not able to develop or incorporate new casual and fashion footwear designs as timely as other casual and fashion footwear manufacturers, our operating results may also be materially and adversely affected.

We are exposed to potentially significant fluctuations in our results of operations from period to period.

Our results of operations are affected by a wide variety of factors that could materially affect our revenue and profitability or lead to significant variability of quarterly or annual results of operations. These factors may include, but are not limited to, customer demand, seasonality, new product and design introductions and delays in developing the production capability to produce new products, raw material price fluctuations, cost control, varying product mix, technological changes and changes in production processes, timing of orders and delays in shipments to customers, volume of orders relative to our manufacturing capacity, the loss of key personnel or the shortage of available skilled employees, international political or economic events or developments, and currency fluctuations.

Our success depends on our customers' ability to successfully sell their products developed and manufactured by us.

Substantially all of our revenue is generated from sales to our customers. Consequently, our results of operations are directly affected by the success of our customers in their business. Our customers may not be able to market and sell their products successfully or maintain their competitiveness due to lack of market acceptance or otherwise. In those circumstances, our customers may not order new products or decrease the quantity or purchase price of their orders, which could adversely affect our results of operations and revenue from such customers. Accordingly, our success depends on our customers' ability to successfully sell their products that are developed and manufactured by us.

We rely on several key customers in our casual and fashion footwear production.

For the year ended December 31, 2006, 2005 and 2004, aggregate sales to our top five customers accounted for approximately 59.3%, 58.1% and 60.9%, respectively, and aggregate sales to our single largest customer accounted for approximately 16.3%, 16.7% and 18.3%, respectively, of our total revenue. All of our key casual and fashion footwear customers operate in the cyclical and competitive casual and fashion footwear industry and have varied in the past, and may vary in the future, order levels significantly from period to period. The loss of one or more of our customers, or reduced orders by our key customers, could adversely affect our results of operations.

We do not have long-term purchase commitments from our customers, which may result in significant uncertainty and volatility with respect to our revenue from period to period.

We do not have long-term purchase commitments from our customers and our sales are made on the basis of individual purchase orders. Our customers may cancel or defer purchase orders. Our customers' purchase orders may vary significantly from period to period, and it is difficult to forecast future order quantities. We cannot assure you that any of our customers will continue to place purchase orders with us in the future at the same volume, or at the same margin, as compared to prior periods. We also cannot assure you that the volume and margin of our customers' purchase orders will be consistent with our expectations when we plan our expenditures. As a result, our results of operations may vary from period to period and may fluctuate significantly in the future.

We have been operating at close to full capacity and expect to continue to do so in the near future, and improvements in our future operating results may depend on the results of our future expansion, our ability to improve efficiency and production at the existing manufacturing facilities, and our ability to identify suitable third-party manufacturers for outsourcing and subcontracting.

We are operating at close to full capacity in most of our existing manufacturing facilities. In May 2006, we commenced production at our new Dalingshan-4 Plant in Dongguan, Guangdong Province, China. We also expect to add additional capacity of approximately three million pairs of footwear by the end of 2007, with the completion of the new manufacturing facility in Huizhou, Guangdong Province, China. Significant capital investment and human resources will be required to establish a new manufacturing facility. As we seek to appoint our internal experienced personnel to management positions in our manufacturing facilities, a shortage of any such personnel may significantly restrict our future expansion. If we cannot expand our manufacturing capacity in a timely manner in response to changing market conditions, or identify suitable third-party manufacturers for outsourcing or subcontracting, we may not be able to meet demand from our customers and from retail customers of our Stella Luna brands, which could cause us to lose customers or market share. Moreover, any failure to expand our production lines or to increase their efficiency that requires us to rely on third-party manufacturers would reduce our margins, as costs of outsourcing and subcontracting increase our total production costs.

Our future operating results may also depend upon our ability to improve the operations of existing manufacturing facilities, and our ability to achieve the same efficiency and quality standard as at our existing manufacturing facilities at the Dalingshan-4 Plant and other new manufacturing facilities that we might open in the future. If we cannot achieve the continuous improvement at existing manufacturing facilities and achieve a similar efficiency and quality standard at new manufacturing facilities, our future operating results may be materially and adversely affected.

We rely on manufacturing facilities that we do not own but use pursuant to processing and contractual arrangements. Any failure in or interruption of business at these manufacturing facilities will adversely affect our results of operations.

In addition to four manufacturing facilities that we own in China, we also manufacture finished footwear at four facilities in China pursuant to processing agreements with local entities in Dongguan and two other facilities in Vietnam pursuant to contractual arrangements. Approximately 60% of our production in 2006 was conducted at these facilities. Certain of these processing and contractual arrangements will expire in the near future. Please refer to the section headed "Business – Manufacturing Facilities" in this prospectus. We cannot assure you that these processing or contractual arrangements can or will be renewed or extended. If such processing or contractual arrangements expire and are not renewed, such manufacturing facilities may cease to manufacture products for us, thereby reducing our manufacturing capacity. If this were to occur and we could not manufacture the products ourselves, outsource such production to a third party or arrange for an alternative processing or contractual arrangement, this could have a material adverse effect on our business and results of operations.

Furthermore, these processing and contractual arrangements carry with them risks associated with the possibility that the relevant operators of these manufacturing facilities may (i) have economic or business interests or goals that are inconsistent with ours; (ii) take actions contrary to our instructions or requests or contrary to our policies or objectives; (iii) be unable or unwilling to fulfill their obligations under the relevant processing or contractual arrangements, including obligations to provide manufacturing facilities and premises; (iv) have financial difficulties; or (v) engage in activities or employ practices that may harm our reputation and relationship with our customers. We have experienced a labor dispute in 2004 at one of these manufacturing facilities and there can be no assurance that we will not experience problems in the future. Please refer to the risk factor entitled "– Labor disputes could significantly disrupt our manufacturing operations" in this prospectus for further details relating to this labor dispute. The occurrence of such problems may have an adverse effect on our business and prospects.

We depend on third-party manufacturers to manufacture certain casual and fashion footwear components and private label footwear products for us.

We do not manufacture all of our own products. We contract with certain parties, including parties in Vietnam, to manufacture components and finished products to our specifications. In 2006, 2005 and 2004, 15.3%, 14.6% and 18.6% of our total cost of sales were attributable to outsourcing costs, respectively, and 2.9%, 3.8% and 5.1% of our total cost of sales were attributable to subcontracting costs, respectively. Occasionally, in times of peak demand, we may further outsource production of our casual and fashion segments to third-party manufacturers. Due to our dependence on third-party manufacturers, we face several significant risks, including, but not limited to:

- failure to secure sufficient manufacturing capacity, or failure to secure sufficient manufacturing capacity at a reasonable cost; and
- limited control over delivery schedules, quality assurance and control, manufacturing yields, and production costs.

The ability of a third-party manufacturer to manufacture our casual and fashion footwear components and private label footwear is limited by its available manufacturing capacity. None of these third-party manufacturers is contractually obligated to allocate a fixed amount of manufacturing capacity to us. It is difficult for us to accurately forecast our capacity needs. We do not have any long-term agreement with any third-party manufacturers and we typically place orders on an individual basis, depending on our own customers' purchase orders. Our third-party manufacturers can allocate their manufacturing capacities to their other customers and reduce deliveries to us on short notice. It is possible that other customers of our third-party manufacturers are larger and better financed than we are, or have long-term agreements with our third-party manufacturers, and our third-party manufacturers may allocate their manufacturing capacities to these customers during times of manufacturing capacity shortages. Any shortfall in available third-party manufacturing capacity could significantly delay our ability to ship our products, cause us to lose revenue and damage our customer relationships. In addition, if costs incurred in connection with subcontracting to third-party manufacturers increase, and if we are unable to pass on such higher costs to our customers, our profit margins could be significantly reduced.

We may lack the experience and resources to maintain and expand our retail business profitably.

Our expansion of Stella Luna's retail operations of women's fashion footwear and leather goods in early 2006 represents a move by us into a new and complex business area. We expect to face intense competition in the retail market from other companies, including both domestic and international companies with more retail experience, financial resources and geographic presence than we have. We may lack the relevant retail experience such as inventory management, sales and marketing, store site selection, product market positioning and retail store management. We may fail to secure retail space for our retail outlets on commercially reasonable terms. There can be no assurance that we will be able to grow our retail business profitably or as we plan and expect. In addition, our entry into a new business may put pressure on our managerial, technical, financial, production, operational, and other resources. To manage future growth, we may need to, among other things:

- add manufacturing and distribution capacity;
- develop a dedicated marketing and sales team;
- invest more capital as we add new stores or shops, increase marketing and administrative expenses; and
- manage relationships with store owners with whom we share profits on a concessionary basis and relationships with marketing agents

and failure to do so may have a material and adverse effect on our financial condition and results of operations.

Our retail business may adversely impact our relationships with existing customers.

Our Stella Luna footwear primarily targets the growing mid-priced women's fashion footwear market in China. Our retail business may place us in direct or indirect competition with our customers for whom we develop and manufacture footwear, as some of our customers have entered or plan to enter the PRC market and may target the same or similar customer groups that we target. As a result, our customers may reduce or discontinue their purchase orders with us, reducing our sales volumes and revenue. As historically we have generated almost all of our revenue from, and expect to continue to focus our business on, providing product development and manufacturing services to our customers, any deterioration of our customer relationships would have a material adverse impact on our business operations and financial condition.

As we expand our retail business outside of China and as we open up a branch office in Taiwan, we may face added business, political, regulatory, operational, financial and economic risks, any of which could materially harm our financial performance and hinder our growth.

In 2007, we opened two retail stores in Bangkok, Thailand and one retail store in Phuket, Thailand and plan to open one retail store in Macau and two retail stores in Taiwan. We may continue to expand our retail business beyond China if attractive opportunities arise. In addition, we intend to open a branch office in Taiwan in 2008. However, we have limited experience in operating in these new markets and could face considerable challenges in our expansion into such markets. These risks include the following:

- our lack of local presence and familiarity of business practices and conventions in certain markets in Asia;
- shortages of personnel with both local language skill and technical capabilities;
- burdens or cost of complying with a wide variety of foreign laws and regulations, including unexpected changes in regulatory requirements;
- cultural differences;

- inherent difficulties and delays in contract enforcement through the use of foreign legal systems;
- volatility in currency exchange rates;
- the risk that foreign countries may impose withholding tax (or otherwise tax our foreign income);
- changes in political, regulatory or economic conditions in a foreign country or region;
- a slowdown suffered by any of these countries in their economic development;
- the anticipated market demand for our retail footwear outside of China not materializing; and
- foreign exchange controls that might prevent us from repatriating income earned in such countries and greater difficulty collecting accounts receivable.

Any of the foregoing risks could harm our international expansion efforts and materially and adversely affect our business, operating results and financial condition.

Our operating results may be adversely affected if we are unable to pass on increases in raw material costs to our customers.

Our purchase orders are typically priced on a cost-plus basis. Typically, there is a time lag of several months between the time the purchase order is confirmed and the time we deliver the finished products, depending on the design. If the cost of raw materials increases after the purchase order is confirmed but before we procure the raw materials for such order, under the terms of the purchase orders, we will not be able to pass such cost increases onto our customers. Accordingly, our margins on the purchase order would be negatively impacted if we are not able to lower other costs in amounts sufficient to offset such increased raw material costs, which could have a material and adverse effect on our results of operations.

A slowdown or reversal in the trend to outsource footwear development and manufacturing services to China-based manufacturers, such as us, could adversely affect our growth prospects and profitability.

In recent years, footwear companies have increasingly outsourced stages of the footwear production process, including development and manufacturing, to independent companies to reduce costs and shorten production cycles. China has been a major outsourcing destination, and China-based providers of footwear development and manufacturing service providers, such as us, have been the primary beneficiaries of this outsourcing trend. We cannot assure you that these footwear companies will continue to outsource their development and manufacturing to China-based companies such as us. If footwear companies choose another outsourcing destination due to cheaper labor cost or other considerations, this could result in decreased demand for our services and adversely affect our growth prospects and profitability.

We depend upon the services of key personnel.

Our future success heavily depends upon the continued services of our senior executives and other key employees. In particular, we rely on the expertise, experience and customer relationships of our Chairman, Mr. Jimmy Chen, and our chief executive officer, Mr. Jack Chiang. We rely on their expertise in developing business strategies, product design and development, business operations, sales and marketing, and on their relationships with our customers. If one or more of our senior executives or key employees were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all. If any dispute arises between our key employees and us, we cannot assure you of the extent to which any of the employment agreements we have entered into with our key employees could be enforced in China, where these key employees reside, in light of the uncertainties within the PRC legal system. Please refer to the risk factor entitled "– Risks Relating to the PRC – Changes and uncertainties in the PRC legal system may have an adverse impact on our operations". If one or more of our senior executives or key employees were unable or unwilling to continue in their present positions, our business may be severely disrupted, our financial conditions and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain personnel. Since our industry is characterized by high demand and intense competition for talent, we also may not be able to attract or retain additional highly skilled employees or other key personnel that we will need to achieve our strategic objectives at costs similar to our current costs.

Title defects affecting some of the properties in China that we use or lease, or that are the subject of our processing agreements, including properties where our products are manufactured, could adversely affect our ownership and use of such properties.

We have the land use right certificates for the land on which we operate in China, but do not have the title certificates to certain buildings that we own on such land. Our rights as owner of these buildings may be adversely affected as a result of the absence of such title certificates, and we could lose our right to continue to operate using these buildings.

Furthermore, we use manufacturing facilities in China pursuant to processing agreements. Please refer to the section headed "Business – Manufacturing Facilities – Manufacturing Facilities Used Pursuant to Processing Agreements" in this prospectus for further details. The land and buildings where three of these manufacturing facilities are located are not owned by us, and therefore we do not possess the relevant title certificates to such land and buildings. As of December 31, 2006, the aggregate carrying amount of the buildings situated on such land for which we do not have the title certificates is US$12.0 million. If the owners of such land and buildings do not possess the proper title to the land and buildings, their ownership of such land and buildings may be challenged. Any challenges to the continued operation of these manufacturing facilities, or any order for the owners to vacate the land or to cease operations at these facilities, would have a material adverse effect on our business and results of operations. For the year ended December 31, 2006, approximately 49.3% of our total revenue was derived from sales of footwear manufactured at these three manufacturing facilities. No assurances can be given that we would be able to locate suitable replacement facilities in a timely or cost-effective manner.

Failure to secure additional funding in the future may materially and adversely affect our growth prospects and future profitability.

We plan to continue expanding our production. Our expansion plans, which include the establishment of additional manufacturing facilities, the purchase of new equipment, and the continued rollout of Stella Luna retail stores, require capital. We expect to fund our capital expenditures through internally-generated cash flow, bank borrowings, and the net proceeds we receive from the Global Offering. Our ability to obtain financing through bank borrowings, or debt or equity financing, will depend on our financial condition and results of operations, as well as on other factors that may be outside of our control, such as general market conditions, the performance of our industry, and political and economic conditions in China. No assurance can be given that adequate funds can be obtained on acceptable terms, or at all. If capital is unavailable, we may be forced to curtail our expansion plans, especially the expansion of our retail business, which could result in an inability to successfully implement our business strategy.

Our insurance coverage may not be sufficient to cover the risks related to our operations and losses.

Our operations are subject to hazards and risks that are normally associated with manufacturing operations and may cause significant damage to persons or property. No assurance can be given that our operations will be free of accidents. We also may face exposure to product liability claims in the event that any of our products is alleged to have resulted in property damage, bodily injury or other adverse effects. No assurance can be given that our insurance policies are sufficient to cover all the risks associated with our operations. Losses incurred or associated liabilities not covered by our insurance policies may have a material and adverse effect on our results of operations.

We may become involved in trade secret disputes with regard to our footwear design, development and manufacturing processes.

We do not own any intellectual property rights with regard to our casual and fashion footwear production processes. Our trade secrets relating to footwear design, development and manufacturing processes, in the form of technical know-how, might be infringed upon by other parties. For example, our footwear designs might be plagiarized. We may lack adequate protection in guarding our trade secrets. In addition, no assurance can be given that claims of infringement will not be brought against us in the future. Our customers may possess trade secrets relating to product design and development in which we participate and could bring legal action against us for inappropriately using their trade secrets. In the event of an infringement claim, we may be required to spend a significant amount of money to defend our positions and may lose valuable customers. Any litigation, even one without merit, could result in substantial costs and diversion of resources and could materially and adversely affect our business and operating results. A successful claim could result in our inability to manufacture our products, which would have a material and adverse effect on our financial condition.

The interests of our controlling shareholder may differ from those of our other shareholders.

Immediately following the Global Offering, our controlling shareholder will beneficially own 75% of our outstanding Shares on a fully diluted basis, or approximately 72% if the International Purchasers exercise their Over-allotment Option in full. The interests of our controlling shareholder may differ from the interests of our other shareholders. If the interests of our controlling shareholder conflict with the interests of our other shareholders, or if our controlling shareholder chooses to cause our business to pursue strategic objectives that conflict with the interests of our other shareholders, those shareholders could be disadvantaged by the actions that our controlling shareholder chooses to cause us to pursue.

Our controlling shareholder could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Our controlling shareholder has no obligation to consider our interests or the interests of our other shareholders.

Economic, political, legal and regulatory conditions in Vietnam may materially and adversely affect our business.

The two Vietnam plants are owned by local entities with which we have entered into contractual arrangements and over which we exercise a high degree of influence. We may expand our manufacturing capacities in the region in the future. We are subject to political, legal and regulatory conditions in Vietnam that differ in certain significant respects from those prevailing in other countries with more developed economies. Labor strikes have been occuring relatively frequently in Vietnam in recent years. Our business and operations are subject to the changing economic and political conditions prevailing from time to time in Vietnam. Like governments of other countries, the Vietnamese government has frequently intervened in Vietnam's economy and occasionally made significant changes in policy. The Vietnamese government's policies have included, among other things, wage and price controls, capital controls, and limits on imports. Our business, financial condition, results of operations and prospects may be adversely affected by changes in Vietnamese governmental policies.

Further, the legal system is uncertain and not transparent and regulatory authorities exercise a high degree of discretion when interpreting regulations, many of which are drafted in an uncertain manner and some of which are inconsistent with each other.

China and/or Vietnam may be adversely affected by a recurrence of SARS, an outbreak of avian influenza or an outbreak of other epidemics, thereby affecting our prospects.

Certain areas of China, including Guangdong Province, and Vietnam are susceptible to epidemics such as Severe Acute Respiratory Syndrome, or SARS, or avian influenza. A recurrence of SARS, an outbreak of avian influenza or any outbreak of other epidemics in Guangdong Province or other areas of China or in Vietnam could result in material disruptions to our manufacturing operations, which in turn would adversely affect our financial condition and results of operations.

Higher labor costs would reduce our margins and profitability.

Footwear manufacturing is a labor-intensive business. We employed 24,254 workers as of December 31, 2006. The percentage of our total cost of sales represented by direct labor costs increased from 7.2% in 2004 to 7.6% in 2005 and to 8.6% in 2006. In recent years, average labor costs in China have increased due to higher living standards and the PRC government's recent policies to raise the minimum wage for migrant workers. As a result of minimum wage increases by the local government, wages for all of our manufacturing workers increased by over 20% in each of 2005 and 2006. If this trend continues, our labor costs would increase in the near future. In addition, as the competition for skilled workers is increasingly intensive, we plan to continue to improve the working environment in our manufacturing facilities, and the living facilities for our employees, in order to retain them for longer terms. These improvements may require significant capital investment. A significant increase in labor costs in China could adversely affect our margins and profitability if we are not otherwise able to raise the price we charge our customers. Additionally, higher labor costs would weaken China's comparative advantage as a more cost-effective outsourcing destination, and our customers may choose to place their orders with companies with operations in countries with lower average labor costs.

Labor disputes could significantly disrupt our manufacturing operations.

Our manufacturing operations require a large skilled workforce. In the past, certain of the manufacturing facilities that we use pursuant to processing agreements have experienced disputes with their workers. Please refer to the section headed "Business – Employees" in this prospectus. In addition, in recent years, strikes have occurred relatively frequently in Vietnam where the manufacturing facilities used pursuant to contractual arrangements are located. We cannot assure you that similar labor disputes will not arise in the future. Any such labor dispute could interrupt our operations, harm our reputation and divert our management's attention and resources, which could have a material and adverse effect on our business operations and our financial condition. In addition, we may be liable for fines assessed by relevant government authorities or incur settlement costs in order to resolve labor disputes. We may also be subject to higher labor costs in the future when recruiting new employees due to the reputational damage caused by these labor disputes.

Our manufacturing operations are subject to various customer-imposed safety, health and environmental guidelines that may increase our costs or restrict our operations.

We are subject to a variety of guidelines imposed by customers relating to safety, health and environmental conditions. The failure by us and/or third-party manufacturers to whom we outsource manufacturing to comply, or the allegation of such non-compliance, with any present or future customer guidelines could result in loss of customer contracts or a cessation of operations and damage to our reputation. New customer guidelines could also require us and/or third-party manufacturers to whom we outsource manufacturing to acquire costly equipment or to incur other significant expenses.

Our subsidiary in China is subject to restrictions on paying dividends or making other distributions to us.

We are a holding company and we rely on dividends paid by our subsidiaries in China for our cash needs, including the funds necessary to pay dividends and other cash distributions to our shareholders, service any debt we may incur, and pay our operating expenses. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. Each of our subsidiaries in China is required to set aside at least 10% of its accumulated profits after tax each year, if any, to fund certain reserve funds, until the accumulated reserve fund exceeds 50% of its respective registered capital. These reserve funds are not distributable as cash dividends. In addition, if any of our subsidiaries in China incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

US and EU trade policies and legislation have a potentially significant impact on our business and results of operations.

Overseas sales of our casual and fashion footwear products manufactured in China and Vietnam expose us to possible sales interruptions or cancellations and increased costs in the event of adverse actions by US or other foreign government agencies with respect to continued trade or the enactment of legislation that restricts trade. In 2004, 2005 and 2006, exports of our products to the United States and Europe accounted for 91.1%, 92.2% and 90.7%, respectively, of our revenue. The United States provides China and Vietnam with normal trade relation status, allowing China and Vietnam to receive the same tariff treatment that the United States extends to most of its trading partners. Notwithstanding this current policy, the US Congress could seek to revoke the PRC's or Vietnam's normal trade relation status or condition its renewal on factors such as the PRC's or Vietnam's human rights record. The administration of existing US trade law can also create adverse consequences for sales by us. In particular, under Section 301 of the US Trade Act of 1974, as amended, as well as "Special 301" and "Super 301", the Office of the United States Trade Representative, or USTR, can retaliate against certain unfair foreign trading practices. In addition, US and PRC trade relations have been contentious in the recent past, and we cannot predict whether this tension will interfere with our ability to export our products from the PRC to the United States in the future.

On October 6, 2006, the EU issued an anti-dumping order that covered our casual and fashion footwear products. A 16.5% anti-dumping duty for footwear originating from the PRC and a 10% anti-dumping duty for footwear originating from Vietnam were imposed on our exports to the EU. Such anti-dumping duties will expire on October 6, 2008. We are unable to predict whether such duty will be increased in the future or whether such duty will be renewed after October 6, 2008. Such action could further increase the costs of imported footwear generally, or limit our ability to export footwear or such other products to such countries or regions. Such occurrences might materially and adversely affect our sales or profitability.

We are also unable to predict whether other US or EU customs duties, quotas or other restrictions will be imposed in the future upon the exportation of our products to the United States or Europe, as a result of any of the matters discussed above, or because of similar US or foreign government actions. Such actions could also result in increases in the costs of imported footwear generally, or limitations on our ability to export footwear or such other products to such countries or regions. Such occurrences might materially and adversely affect our sales or profitability.

We may fail to integrate future acquired businesses successfully.

To enhance our growth, we may acquire footwear and related accessories brands and businesses. Our ability to grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain any necessary financing. Even if we successfully complete an acquisition, we may experience:

- difficulties in integrating the acquired business, its personnel, its operations, its assets or its products with our existing business;
- delays or failure in realizing the benefits of the acquired business or its products;
- diversion of our management's time and attention from other business concerns, such as the ongoing development or expansion of our existing operations;
- potential challenges in managing the increased scope and complexity of our operations;
- higher costs of integration than we anticipated; or
- difficulties in retaining key employees of the acquired business who are necessary to manage the acquired business.

If we fail to integrate any acquired businesses successfully into our existing operations, our results of operations could be adversely affected.

RISKS RELATING TO THE PRC

Changes in political and economic policies may have a negative impact on our operations.

The majority of our assets are located in China. A majority of our revenue is generated from products manufactured in our manufacturing facilities in China. Our results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in China. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, allocation of resources, capital reinvestment, level of development, growth rate, and control of foreign exchange.

Historically, the PRC economy has been centrally planned, with a series of economic plans promulgated and implemented by the PRC government. Since 1978, the PRC government has been promoting economic and political reforms. The economy of the PRC has shifted gradually from a planned economy toward a market-oriented economy. However, continued government control of the economy may have a negative effect on us. For example, the PRC government continues to own a substantial portion of the productive assets in China. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. Moreover, no assurance can be given that the PRC government will continue to pursue economic reforms. A variety of policies and other measures that could be taken by the PRC government to regulate the economy, including the introduction of measures to control inflation or reduce growth, changes in the rate or method of taxation, or the imposition of additional restrictions on currency conversions and remittances abroad, could have a negative impact on our business. Our business, financial condition and results of operations may be adversely affected by the PRC government's political, economic and social policies, tax regulations or policies, or regulations.

Macroeconomic measures taken by the PRC government may cause the PRC economy to slow down.

In response to concerns relating to China's high rate of growth in industrial production, bank credit, fixed investment and money supply, the PRC government has expressed its intention to take measures to slow economic growth to a more manageable level. Among the measures that the PRC government has taken are restrictions on bank loans to certain sectors. On April 27, 2006, the People's Bank of China announced an increase in the benchmark one-year lending rate from 5.58% to 5.85%. On

August 18, 2006, the People's Bank of China further announced a 0.27% increase in the benchmark one-year deposit and lending rates. Increases in interest rates or imposition of other policies by the PRC government aiming to curve the overheated economy may have a material and adverse effect on our results of operations.

Changes in foreign exchange regulations may adversely affect our results of operations and financial condition.

The RMB currently is not a freely convertible currency. We receive a small portion of our revenue in RMB. As a result, any restriction on currency exchange may limit the ability of our subsidiaries to use revenue generated in RMB to pay dividends to us, purchase raw materials, and service and repay any foreign currency-denominated indebtedness.

Under existing foreign exchange regulations in the PRC, following completion of the Global Offering, our PRC subsidiaries may make payment of dividends without prior approval from the PRC State Administration for Foreign Exchange by producing commercial documents evidencing such transactions, provided that they are processed through PRC banks licensed to engage in foreign currency transactions. The PRC government has stated publicly that it intends to make the RMB freely convertible in the future. However, uncertainty exists as to whether the PRC government may restrict access to foreign currency for current account transactions if foreign currency becomes scarce in the PRC, in which case our production and capital expenditure plans may be adversely affected.

Fluctuation in the value of RMB may have a material adverse effect on our business.

The value of the RMB against the US dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including US dollars, has been based on the PBOC Rates. On July 21, 2005, the PRC government changed its policy of pegging the value of the RMB to the US dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Between July 21, 2005 and December 29, 2006, the RMB appreciated approximately 6.1% against the US dollar. In 2004, 2005 and 2006, all of our net consolidated sales outside China were settled mainly in US dollars. However, a substantial portion of our raw materials and components, and most of our operating and administrative expenses, were settled in RMB. Therefore, any additional appreciation in the value of the RMB against the US dollar may reduce our margins and increase our operating costs in China, and adversely affect our results of operation.

Changes and uncertainties in the PRC legal system may have an adverse impact on our operations.

The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations remain uncertain in many areas. Consequently, developments and changes in PRC laws and regulations, including their interpretation and enforcement, may have a negative effect on our business, results of operations and financial condition.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market may not develop.

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price for the Shares will be determined by the Global Coordinator (on behalf of the Underwriters) and us. The Offer Price may not be indicative of the price at which the Shares will trade following the completion of the

Global Offering. Although the Global Coordinator has indicated that it intends to make a market in the Shares, it is not obligated to do so, and any such market making will be subject to the limits imposed by applicable law, and may be interrupted or discontinued at any time without notice. Accordingly, we cannot predict whether an active or liquid trading market for the Shares will develop or be sustained. Consequently, investors may be required to hold their Shares for an indefinite period of time or sell them for an amount less than the price paid.

The trading volume and share price of our Shares may fluctuate.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or acquisitions, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation, or fluctuations in the market prices for our products or raw materials could cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

Investors will experience dilution in pro forma net tangible book value because the Offer Price is higher than our net tangible book value per Share.

Because the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma combined net tangible book value of HK$11.81 per Share (assuming an Offer Price of HK$14.00, being the mid-point of our Offer Price range of HK$12.50 to HK$15.50 per Share). If we issue additional Shares in the future, purchasers of our Shares may experience further dilution in their ownership percentage.

Dividends paid in the past may not be indicative of the amount of future dividend payments or our future dividend policy.

In the years ended December 31, 2004, 2005 and 2006, we paid total dividends of US$17.1 million, US$18.6 million and US$21.8 million, respectively, to our then shareholders. The dividend payments paid for the years ended December 31, 2004, 2005 and 2006 were financed by our internal resources. No assurance can be given that dividends of similar amounts, or at similar rates, will be paid in the future. Therefore, the past dividend payments referred to above should not be used as reference for our dividend policy, nor as a basis to forecast the amount of dividends payable in the future. On June 15, 2007, we declared a special dividend in the amount of US$220 million to our sole shareholder, Cordwalner Bonaventure Inc., which will be paid prior to the Listing Date. Purchasers of the Offer Shares in the Global Offering will not be entitled to this special dividend. For further details on our dividend policy, please refer to the section headed "Dividends, Dividend Policy and Distributable Reserves" in this prospectus.

Future sales of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

Except for the Shares issued in the Global Offering, we have agreed with the Global Coordinator not to issue any of our Shares or securities convertible into, or exchangeable for, our Shares during the period beginning from the date of this prospectus and continuing through the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, except with the prior written consent of the Global Coordinator. The Global Coordinator may, in its discretion, waive or terminate these restrictions. Please refer to the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Undertakings" in this prospectus for a more detailed discussion of restrictions that may apply to future sales of our Shares by us.

After these restrictions lapse, the market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, the issuance of our new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. This could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law and Cayman Islands law may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong, the United States and other jurisdictions. Such differences may mean that our minority shareholders may have less protection than they would have under the laws of Hong Kong, the United States or other jurisdictions. For example, the Cayman Islands does not have a statutory equivalent of section 168A of the Hong Kong Companies Ordinance which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs. See Appendix V "Summary of Constitution of the Company and the Cayman Islands Companies Law" to this prospectus.

Investors should not place undue reliance on industry and market information and statistics derived from official government publications contained in this prospectus.

This prospectus contains information and statistics, including but not limited to information and statistics relating to the PRC and the industry and markets. The information and statistics related to the industry and markets are derived from a study prepared by Global Industry Analyst. None of the information or statistics derived by Global Industry Analyst from official government publications have been independently verified by Global Industry Analyst, us, or any of our affiliates or advisors, or by the Global Coordinator, the Underwriters, any other party involved in the Global Offering, or their respective affiliates or advisers. We cannot ensure the accuracy of information and statistics derived from official government publications, and information and statistics derived from official government publications may not be consistent with other information publicly available or available from other sources. Prospective investors should not place undue reliance on any information and statistics derived from official government publications contained in this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “aim,” “intend,” “will,” “may,” “anticipate,” “seek,” “should” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- cyclical changes and future development in the footwear industry;
- the loss of one or more of our major customers;
- the competitive markets for the provision of our products;
- financial condition and performance;
- general political and economic conditions, including those related to the PRC;
- cost, fluctuations in the price and availability of raw materials;
- expansion, consolidation or other trends in our industry;
- possible disruptions to our manufacturing processes due to natural and human-induced disasters;
- exchange rate fluctuations and developing legal system, in each case pertaining to the PRC;
- regulations and restrictions, including tariffs and environmental regulations;
- changes to our expansion plans and use of capital expenditures;
- macroeconomic measures taken by the PRC government to manage economic growth;
- limits placed on imports into and exports out of China; and
- realizing the benefits of our business plan and strategies.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under the section headed “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong including that normally at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since our principal business operation and our production facilities are primarily located in the PRC, our Company does not and, for the foreseeable future, will not have a management presence in Hong Kong.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under Rule 8.12 of the Listing Rules. Our Company has made internal arrangements to maintain effective communication with the Stock Exchange. Mr. Shieh Tung-Pi, Billy an executive Director based in Guangdong, PRC, who is not ordinarily resident in Hong Kong but possesses a valid passport to travel to Hong Kong, and Ms. Kan Siu Yim, the company secretary of our Company who is ordinarily resident in Hong Kong, have been appointed as the authorized representatives of our Company under Rule 3.05 of the Listing Rules, who will act at all times as our Company's principal channel of communications with the Stock Exchange and each of whom will be readily contactable by telephone, facsimile, and/or email, and able to meet the Stock Exchange on short notice whenever necessary to deal promptly with enquiries which may be raised by the Stock Exchange. Each of the authorized representatives will have necessary means to contact all members of the Board (including the INEDs) promptly at all times as and when the Stock Exchange wishes to contact them for any matters. All the Directors have confirmed that they possess valid travel documents to travel to Hong Kong and will be able to meet with the Stock Exchange on short notice. Our Company has implemented a policy whereby (i) each Director will provide his/her mobile phone numbers, residential phone numbers, fax numbers and email address to the authorized representatives; and (ii) each Director will provide valid phone numbers or communication means to the authorized representatives when he/she travels. Our Company has also appointed Anglo Chinese Corporate Finance Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, who will act as the alternative channel of communication with the Stock Exchange. As a result, such arrangements can ensure that all members of the Board can be promptly informed of any matters and can maintain effective communications with the Stock Exchange.

CHAPTER 14A OF THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions under Chapter 14A of the Listing Rules. For further details in this respect, please refer to the section headed "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief that there are no other matters the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering will be underwritten by the Hong Kong Underwriters. The Global Offering comprises the Hong Kong Public Offering of initially 19,500,000 Offer Shares and the International Offering of initially 175,500,000 Offer Shares subject, in each case, to re-allocation on the basis described in the section headed "Structure of the Global Offering" in this prospectus. For applicants under the Hong Kong Public Offering, this prospectus and the **WHITE**, **YELLOW**, and **PINK** Application Forms set forth the terms and conditions of the Public Offering.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement among the Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around June 28, 2007 and, in any event, not later than July 4, 2007. If, for whatever reason, we and the Global Coordinator are not able to agree on the Offer Price, the Global Offering will not proceed and will lapse.

OFFER SHARES WILL BE OFFERED IN CERTAIN JURISDICTIONS ONLY

Save as mentioned below, no action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and the relevant Application Forms in any jurisdiction other than Hong Kong. The distribution of this prospectus and the relevant Application Forms and the offering of the Offer Shares in certain jurisdictions are restricted by law. This prospectus is not an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction in which it is not authorized, and is not an offer or invitation to any person to whom it is unlawful to make such an unauthorized offer or invitation.

United States

The Offer Shares have not been and will not be registered under the US Securities Act and, subject to certain exceptions, may not be offered, sold, pledged or transferred within the United States, except to QIBs in accordance with Rule 144A or another exemption under the US Securities Act or outside the United States in accordance with Rule 903 or Rule 904 of Regulation S. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S and within the United States to QIBs in reliance on Rule 144A or another exemption under the US Securities Act. In addition, until 40 days after the later of the commencement of the Global Offering and the completion of the distribution of the Shares, an offer or sale of the Offer Shares within the United States by any securities dealer (whether or not participating in the Global Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A, or pursuant to another exemption from, or in a transaction not subject to, such requirements. Terms used above have the meanings as defined in Regulation S or Rule 144A, as applicable.

The Offer Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), the Offer Shares may not be offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of the Offer Shares to the public may be made in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by our Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an "offer of shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe the Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

No offer of Offer Shares has been made or will be made to the public in the United Kingdom within the meaning of Section 102B of the Financial Services and Market Act 2000, as amended (the "FSMA"), except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by us of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority (the "FSA"). Each Underwriter: (i) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which Section 21 of FSMA does not apply to us; and (ii) has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

Canada

The Offer Shares may not be offered or sold, directly or indirectly, in any province or territory of Canada or to, or for the benefit of, any resident of any province or territory of Canada, except pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer or sale is made, and only by a dealer duly registered under the applicable securities laws of that province or territory or in accordance with an exemption from the applicable registered dealer requirements.

Japan

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"), and the Offer Shares will not be offered or sold directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"); (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Offer Shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

PRC

This prospectus has not been and will not be circulated or distributed in the PRC, and the Offer Shares may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC. For the purpose of this paragraph, the PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

Cayman Islands

No offer of the Offer Shares will be made to the public in the Cayman Islands.

Taiwan

The Offer Shares have not and will not be registered with the Financial Supervisory Commission of Taiwan or any other government authorities of Taiwan, and are not being offered or sold and may not be offered or sold, directly or indirectly, in Taiwan or otherwise, to, or for the benefit of, any resident or entity of Taiwan, except (a) pursuant to the requirements of the securities related laws and regulations in Taiwan; and (b) in compliance with any other applicable requirements of Taiwan laws.

Vietnam

This prospectus has not been and will not be circulated or distributed in Vietnam and no offer of the Offer Shares will be made to the public in Vietnam.

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

APPLICATION FOR LISTING ON THE MAIN BOARD

We have applied to the Listing Committee of the Stock Exchange for approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue, the Offer Shares (including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued pursuant to the exercise of options granted, or to satisfy the grant of share awards, under the Long Term Incentive Scheme (up to 10% of the Shares in issue on the Listing Date (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option)). No part of our Shares or loan capital is listed or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, our Shares on any other stock exchange. All the Offer Shares will be registered on the Hong Kong branch register of members of our Company in order to enable the Offer Shares to be traded on the Stock Exchange.

HONG KONG STAMP DUTY

No stamp duty is payable by applicants in the Global Offering.

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

Our Company, the Global Coordinator and the Underwriters, all of their respective directors, agents or advisers or any other persons involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, or purchasing, holding or disposing of or dealing in the Offer Shares.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Shares. Neither our Company, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or dealing in the Shares.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, agree to purchase or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, to prevent any decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong and certain other jurisdictions, the stabilization price must not exceed the offer price. In other jurisdictions, the stabilization price may or may not be higher than the initial public offer price.

In connection with the Global Offering, the Stabilization Manager, or any of its affiliates acting for it, on behalf of the Underwriters, may over-allocate Shares or effect any other transactions (including stock borrowing arrangement) with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements and any stabilizing activity will be entered into in accordance with the stabilizing laws, rules and regulations in place in Hong Kong. In covering such over-allocations, the Stabilization Manager may exercise the Over-allotment Option at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for lodging of Application Forms under the Hong Kong Public Offering, or make (or agree, offer or attempt to make) open-market purchases in the secondary market. The Stabilization Manager or any person acting for it may also sell or agree to sell any Shares acquired in the course of any stabilization action in order to liquidate any position that has been established by such action. However, there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilizing action which, if taken, may be discontinued at any time at the absolute discretion of the Stabilization Manager. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option, being 29,250,000 Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilization) Rules includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price, (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price, (iii) subscribing, purchasing, or agreeing to subscribe or purchase, shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, Shares for the sole purpose of preventing or minimizing any reduction in the market price, (v) selling, or agreeing to sell, Shares to liquidate any long position held as a result of those purchases in (iv) and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

The Stabilization Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares. The size of the long position, and the time period for which the Stabilization Manager or any person acting for it will maintain such a position, is at the discretion of the Stabilization Manager or any person acting for it and is uncertain. In the event that the Stabilization Manager or any person acting for it liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilization action by the Stabilization Manager, or any person acting for it, is not permitted to support the price of the Offer Shares for longer than the stabilizing period which begins on the commencement of trading of the Offer Shares after this prospectus is issued and the Offer Price is announced and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to expire on Friday, July 27, 2007, and after this date, when no further stabilizing action may be taken, demand for the Shares, and therefore its price, could fall. A public announcement will be made within seven days after the end of the stabilizing period in accordance with the Securities and Futures (Price Stabilizing) Rules. Investors should be aware that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action. Stabilization bids for or transactions effected in the course of the stabilizing action by the Stabilization Manager, or any person acting for it, may be at a price at or below the Offer Price and therefore at or below the price paid for the Shares by subscribers or purchasers.

Further details with respect to stabilization and the Over-allotment Option are set out in the section headed "Structure of the Global Offering" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE OF THE GLOBAL OFFERING

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

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of HK dollars into US dollars at specified rates. You should not construe these translations as representations that any amount in HK dollar can be, or could have been, at the relevant dates converted at the rates below or any other rates at all. Unless we indicate otherwise, the translations of HK dollars into US dollars have been made at the rate of HK$7.7771 to US$1.00, which is the noon buying rate in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on December 29, 2006. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

Name	Address	Nationality
DIRECTORS		
Executive Directors		
CHEN Jiann-Min, Jimmy	Expatriates Management Villa Selena Footwear Factory Overseas Chinese Industrial Zone Guanchang Road Dalingshan County Dongguan City Guangdong Province China (中國廣東省東莞市大嶺山鎮 莞長路華僑工業區興雄鞋廠 台幹宿舍小區)	Republic of China
CHIANG Jeh-Chung, Jack	Expatriates Management Villa Selena Footwear Factory Overseas Chinese Industrial Zone Guanchang Road Dalingshan County Dongguan City Guangdong Province China (中國廣東省東莞市大嶺山鎮 莞長路華僑工業區興雄鞋廠 台幹宿舍小區)	Republic of China
CHAO Ming-Cheng, Eric	Room 301, Expatriates Management Family Dormitory Stella Industrial Park Houda Road, Daling Village Dalingshan County Dongguan City Guangdong Province China (中國廣東省東莞市大嶺山鎮 大嶺村厚大路興昂工業園 台幹宿舍家屬樓301室)	Republic of China
SHIEH Tung-Pi, Billy	Room 508, Headquarters Expatriates Management Dormitory Stella Industrial Park Houda Road, Daling Village Dalingshan County Dongguan City Guangdong Province China (中國廣東省東莞市大嶺山鎮 大嶺村厚大路興昂工業園 台幹宿舍總管理處508室)	Republic of China
CHI Lo-Jen, Stephen	Room 507, Headquarters Expatriates Management Dormitory Stella Industrial Park Houda Road, Daling Village Dalingshan County Dongguan City Guangdong Province China (中國廣東省東莞市大嶺山鎮 大嶺村厚大路興昂工業園 台幹宿舍總管理處507室)	United States

Name	Address	Nationality
DIRECTORS		
Non-executive Director		
SHIH Takuen, Daniel	Park Apartments A-2301 17 Chaoyang Park West Road Chaoyang District Beijing China 100026	United States
Independent non-executive Directors		
CHU Pao-Kuei	3rd Floor, 15, Alley 16, Lane 199 Tunhwa N. Road Taipei Taiwan	Republic of China
NG Hak-Kim, *JP*	19A Bauhinia Court World Wide Gardens Shatin Hong Kong	Hong Kong SAR
HUNG John Terence, *SBS, JP*	24C Hillsborough Court Tower 2 18 Old Peak Road Hong Kong	United Kingdom

PARTIES INVOLVED

Sole Global Coordinator, Sole Bookrunner and Sole Sponsor	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
International Purchasers	Goldman Sachs (Asia) L.L.C. CLSA Limited Cazenove Asia Limited
Hong Kong Underwriters	
Lead Manager	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
Co-Lead Managers	CLSA Limited Cazenove Asia Limited KGI Capital Asia Limited
Co-Managers	Chinatrust Asia Limited Shanghai Commercial Bank Limited
Auditors and Reporting Accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong

Legal Advisers to our Company

as to Hong Kong law:

Vincent T. K. Cheung, Yap & Co.
15th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Central
Hong Kong

as to United States law:

Davis Polk & Wardwell
18th Floor, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

as to PRC law:

Jingtian & Gongcheng Attorneys at Law
15th Floor, The Union Plaza
20 Chaoyangmenwai Dajie
Beijing 100020
PRC

as to Cayman Islands Law:

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

as to Vietnam Law:

Vision & Associates Legal
Unit 308-310, 3rd Floor
Hanoi Towers
49 Hai Ba Trung Street
Hoan Kiem District
Hanoi
Vietnam

as to Taiwan Law:

LCS & Partners
5th Floor, No. 8, Sec. 5 Sinyi Road
Taipei City 110
Taiwan

Legal Advisers to the Underwriters	*as to Hong Kong and United States law:* Skadden, Arps, Slate, Meagher & Flom 42nd Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Central Hong Kong
Property Valuer	Sallmanns (Far East) Limited 22nd Floor, Siu On Centre 188 Lockhart Road Wanchai Hong Kong
Receiving Bankers	Bank of China (Hong Kong) Limited 6th Floor, Bank of China Tower 1 Garden Road Central Hong Kong Bank of Communication Company Limited Hong Kong Branch 20 Pedder Street Central Hong Kong Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal Place of Business in Hong Kong	Room 1301-05, 13th Floor Union Park Centre No.771-775, Nathan Road Kowloon, Hong Kong
Company Website	www.stella.com.hk*
Company Secretary	KAN Siu Yim *(associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators)*
Qualified Accountant	LEE Kwok Ming *(fellow member of the Hong Kong Institute of Certified Public Accountants and associate member of the Chartered Institute of Management Accountants)*
Authorized representatives	SHIEH Tung-Pi, Billy Room 508, Headquarters Expatriates Management Dormitory Stella Industrial Park Houda Road, Daling Village Dalingshan County Dongguan City Guangdong Province China (中國廣東省東莞市大嶺山鎮 大嶺村厚大路興昂工業園 台幹宿舍總管理處508室) KAN Siu Yim Flat F, 30th Floor, Block 1 Castello, Shatin, Hong Kong
Audit Committee	CHU Pao-Kuei *(Chairman)* NG Hak-Kim, *JP* HUNG John Terence, *SBS, JP*
Remuneration Committee	NG Hak-Kim, *JP (Chairman)* CHU Pao-Kuei SHIH Takuen, Daniel
Nomination Committee	HUNG John Terence, *SBS, JP (Chairman)* NG Hak-Kim, *JP* CHU Pao-Kuei SHIH Takuen, Daniel
Corporate Governance Committee	SHIH Takuen, Daniel *(Chairman)* CHEN Jiann-Min, Jimmy CHU Pao-Kuei HUNG John Terence, *SBS, JP*

* The contents of the website do not form part of this prospectus.

CORPORATE INFORMATION

Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central Hong Kong
	Chinatrust Commercial Bank Kowloon Branch 26th Floor, One Peking, No. 1 Peking Road Tsim Sha Tsui Kowloon Hong Kong
	DBS Bank (Hong Kong) Limited Hong Kong Branch 16th Floor, Man Yee Building 68 Des Voeux Road Central Central Hong Kong
Principal Share Registrar and Transfer Office	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 Grand Cayman KY1-1107 Cayman Islands
Branch Share Registrar and Transfer Office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance Adviser	Anglo Chinese Corporate Finance Limited 40th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong

The information and statistics set forth in this section have been extracted from a report by Global Industry Analyst. Global Industry Analyst compiled secondary research and conducted primary research, sending questionnaires targeting marketing and sales executives worldwide and sending focused and detailed letters to senior management worldwide. For information on Global Industry Analyst, please refer to the section headed "Other Information – Global Industry Analyst" in Appendix VI "Statutory and General Information" to this prospectus. Although reasonable care has been exercised by our Directors in extracting and repeating such information and Global Industry Analyst has confirmed that it exercised reasonable care in compiling and reproducing such information and statistics, the information derived by Global Industry Analyst from official government publications may be inconsistent with information compiled by others for our industry. This section contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Please refer to the section headed "Forward-Looking Statements" in this prospectus.

The information and statistics set forth in this section have been extracted from a report by Global Industry Analyst. The methodology employed by Global Industry Analyst combines primary and secondary research to provide an analysis of these markets. Global Industry Analyst did not independently verify this primary and secondary research. Information presented in the report may be inaccurate because of a problem with the credibility of the underlying primary and secondary research sources. In addition, there may be a wide discrepancy between the various reported production statistics worldwide. For its projections, Global Industry Analyst uses data from a diverse range of secondary sources and primary sources rather than using econometric modeling techniques.

OVERVIEW

According to Global Industry Analyst, the global footwear industry manufactured 12.2 billion pairs of footwear and generated sales of US$170.0 billion in 2006. The industry output has increased from 9.1 billion pairs in volume and US$131.5 billion in value in 1997, representing a compound annual growth rate, or CAGR, of 3.3% and 2.9%, from 1997 to 2006, respectively. The table below sets forth the historical output of the global footwear industry in terms of volume and value from 1997 to 2006.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Volume (in billion pairs)	9.1	9.3	9.7	10.1	10.3	10.6	10.9	11.3	11.7	12.2
Value (in US$ billion)	131.5	136.3	141.1	145.1	147.0	150.7	154.7	160.1	165.0	169.7

Source: Global Industry Analysts: Footwear – A Global Strategic Business Report (2007).

Footwear Categories

According to Global Industry Analyst: Footwear – A Global Strategic Business Report (2007), footwear products are typically categorized into athletic footwear, outdoor/rugged footwear, casual footwear, dress/formal footwear and footwear accessories.

Athletic Footwear

Athletic footwear provides the foot with a natural position for movement. Different sports call for specific footwear for specific types of protection of feet and ankles. Athletic footwear can be categorized into aerobic, athleisure, baseball, basketball, cricket, cross-training, hiking, hockey, running, soccer, tennis, walking and other (including golf, recreational, volleyball, etc.) footwear.

Outdoor/Rugged Footwear

Outdoor/Rugged footwear is specially designed for high-performance outdoor activities such as trekking, trail running, kayaking, mountaineering, rock-climbing and others. It incorporates high-quality materials to combat extreme climates and to meet various traction requirements. Outdoor/Rugged footwear includes approach shoes, backpacking boots, hiking boots, mountaineering boots, technical shoes and trekking and walking boots.

Casual Footwear

Casual footwear is designed for comfortable fit to complement casual attire and includes boat shoes, casual-trendy shoes, comfort sandals, flip-flops, loafers, Mary-Janes, slip-ons, work and duty shoes and others.

Dress/Formal Footwear

Dress/Formal footwear is designed to be worn with business or formal wear and includes dress boots, dress comfort shoes, dress flats, dress sandals, dress slip-ons, lace-ups/oxfords and others.

The tables below set forth the historical output of the global footwear industry in each category, from 2004 to 2006, in terms of volume and value, respectively.

	2004	2005	2006
	(in billion pairs)		
Athletic	3.4	3.5	3.6
Outdoor/Rugged	0.5	0.5	0.6
Casual	6.5	6.7	7.0
Dress/Formal	0.9	1.0	1.0

Source: Global Industry Analyst: Footwear – A Global Strategic Business Report (2007)

	2004	2005	2006
	(in US$ billion)		
Athletic	60.9	63.0	65.1
Outdoor/Rugged	10.3	10.6	10.9
Casual	73.3	75.2	77.3
Dress/Formal	15.4	15.9	16.4

Source: Global Industry Analyst: Footwear – A Global Strategic Business Report (2007)

The casual and fashion footwear brand markets remain more fragmented than the athletic footwear market. The tables below set forth the percentage of total worldwide sales that were accounted for by the top five brands in each category for 2004 and 2005.

	2004	2005
Casual	59.7%	59.7%
Fashion	51.1%	55.2%
Outdoor/Rugged	60.2%	63.0%
Athletic	74.7%	75.7%

Source: Shoe Intelligence

Geographic Regions

The tables below set forth the historical output of the global footwear industry categorized by geographic regions, from 1997 to 2006, in terms of volume and value, respectively.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
					(in million pairs)					
North America	1,725.2	1,679.4	1,772.8	1,872.5	1,901.2	1,989.3	2,038.8	2,198.8	2,321.4	2,424.4
Europe	2,005.1	2,060.8	2,107.9	2,156.5	2,263.8	2,300.5	2,339.8	2,379.0	2,420.7	2,464.2
Asia-Pacific	4,141.3	4,323.6	4,508.7	4,723.9	4,720.3	4,921.1	5,106.3	5,309.1	5,523.0	5,751.7
Others	1,264.1	1,284.4	1,309.0	1,341.9	1,367.1	1,380.2	1,394.2	1,409.7	1,427.1	1,448.1

Source: Global Industry Analysts: Footwear – A Global Strategic Business Report (2007).

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
					(in US$ million)					
North America	41,760.1	44,681.7	46,042.9	47,939.3	48,467.7	50,011.9	51,888.0	54,856.7	57,101.2	59,190.8
Europe	45,175.4	45,313.9	46,505.0	47,061.5	46,806.6	47,302.7	47,870.4	48,487.9	49,152.1	49,869.7
Asia-Pacific	29,686.1	30,976.2	32,417.1	33,944.3	35,486.9	36,992.4	38,332.9	39,821.8	41,441.6	43,234.7
Others	14,866.3	15,282.3	16,107.3	16,145.4	16,210.2	16,405.7	16,647.8	16,933.7	17,272.0	17,668.2

Source: Global Industry Analysts: Footwear – A Global Strategic Business Report (2007).

MAJOR FACTORS AFFECTING THE FOOTWEAR INDUSTRY

The footwear industry is affected by demographic and economic conditions prevailing across the major markets. Factors having a significant influence on the industry's revenue include population growth, inflation, recession, general volatility in retail markets, and changes in consumer preferences and purchasing power. The volume of footwear sales typically increases with population growth and the rise of average income, and the average price of footwear typically increases with the rise of average income.

Consumers demand footwear products that are both functional and fashionable. Factors having a significant influence on the functionality of footwear include quality, comfort, performance and flexibility, as consumers demand footwear that is durable and comfortable and can be worn in various activities. Factors that affect the fashion of footwear include color, form and style, as consumers demand footwear of various designs that express both such consumers' fashion sense and individuality. Footwear companies compete on their design and development expertise and manufacturing capacity in order to meet these particular consumer demands.

The global footwear industry is highly competitive because both retailers and manufacturers constantly strive to maintain, as well as expand, their customer base. Since customers have many manufacturers from which to choose, footwear price and cost of merchandising are the two major factors concerning retailers. The retailers' need to lower merchandising cost in order to compete puts pressure on footwear manufacturers to lower their production cost. Labor cost is one major cost component of footwear, as footwear manufacturing is labor-intensive. To be competitive, footwear manufacturers in regions with higher labor costs, such as North America and Europe, seek to lower their labor costs by outsourcing to regions with lower labor costs, such as Asia and Latin America.

INDUSTRY TRENDS

Outsourcing

To lower labor costs, footwear manufacturers from developed countries in North America and Europe continue to outsource their footwear manufacturing to developing countries in Asia and Latin America. For example, in 2004, the average hourly wage in China was US$0.60, compared to US$14.30 in Italy and US$20.70 in France. In 2004, China, which was the world's largest footwear-producing country, became one of the top outsourcing destinations because of its cheap labor costs, reliable quality and mass production facilities. Other outsourcing destinations include India, Indonesia, Pakistan, Thailand and Vietnam in Asia and Brazil in Latin America.

Some of these countries in Asia, particularly China and Vietnam, have formed regional clusters of footwear manufacturing. For example, Guangdong Province, Fujian Province, and, to a lesser extent, Zhejiang Province, all in China, have established an infrastructure for footwear manufacturing, which includes: a steady supply of skilled, low-cost labor, the availability of raw materials, footwear component suppliers and specialized subcontractors. Such industry infrastructure helps the local footwear manufacturing industry to increase its productivity and competitiveness, enabling it to meet customers' demand for large-volume production within a short lead time.

The outsourcing trend is facilitated by globalization of footwear production and is expected to continue. As more countries sign bilateral trade agreements and join the WTO, existing trade barriers are expected to be lowered or eliminated. Furthermore, advances in communication and transportation have significantly improved production logistics and enabled the global integration of the supply chain. Increasingly, the footwear industry is capable of sourcing the material and labor at optimal prices, for example, designing footwear in France, Italy, Spain and other countries, producing high-quality footwear at higher volume and lower cost in lower-cost countries such as Brazil, China, India, Indonesia and Vietnam, and marketing them to the US and Europe as well as consumers in countries with emerging markets, such as Brazil, China, India and Russia. Meanwhile, countries with lower labor costs are moving up in the value chain by acquiring better management skills and incorporating more advanced technologies. As a result of leading footwear companies such as Nike, Reebok and Adidas entering into dedicated outsourcing deals with Asian manufacturers, Global Industry Analyst believes other footwear companies have become more confident in the quality of Asian footwear manufacturers.

China and Other Emerging Markets

China's economy has grown significantly since the PRC government introduced economic reforms in the late 1970's. China's admission to the WTO in 2001 has further accelerated the reform of the PRC economy. In the past ten years, China's gross domestic product, or GDP, has increased from approximately RMB5,846.0 billion in 1996 to approximately RMB13,985.0 billion in 2005, representing a CAGR of approximately 10.2% between 1996 and 2004. In 2005, China's GDP grew approximately 13.4% as compared to 2004. On December 11, 2006, certain business sectors in China, including the retail industry, were opened to full foreign participation in line with China's commitments made upon admission to the WTO.

The table below sets forth, for the years indicated, selected economic statistics of China.

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Nominal GDP (in RMB billions)	7,117.7	7,897.3	8,440.2	8,967.7	9,921.5	10,965.5	12,033.3	13,582.3	15,987.8	18,308.5
Real GDP growth rate (%)	10.0	9.3	7.8	7.6	8.4	8.3	9.1	10.0	10.1	9.9
Per capita GDP (RMB)	5,846.0	6,420.0	6,796.0	7,159.0	7,858.0	8,622.0	9,398.0	10,542.0	12,336.0	14,040.0

Source: China Statistical Abstract 2006 and National Bureau of Statistics of China.

Besides being the outsourcing destinations, the developing countries, particularly China, are also generating new middle to upper class consumers due to rising incomes. These countries have attracted new investors to the footwear manufacturing industry who anticipate a rapid increase in demand. Leading footwear companies have introduced advanced marketing and distribution techniques to developing countries, which are emulated by local companies. As a result of rising disposable income and greater awareness of fashion, consumers in these emerging economies are likely to follow the lifestyles in developed countries and be increasingly willing to purchase footwear that is more fashionable, functional and of better quality than the types they previously wore. While the footwear markets in the US, Japan, Europe and other developed countries are mature and grow slowly, it is expected that developing countries in Asia and Latin America, particularly China, India, and Brazil, will account for a growing share of global sales of footwear in the near future.

Growth of Casual and Affordable Fashion Footwear

According to Global Industry Analyst, the casual footwear category is expected to grow at a CAGR of 4.0% in the next four years in terms of sales volume, faster than any other footwear category. To support an active lifestyle, consumers desire casual footwear that is versatile. Footwear companies are not only seeking to improve the comfort of casual footwear but are also incorporating features of athletic, outdoor/rugged and fashion footwear into casual footwear, reflecting the shift of consumers to a more active lifestyle and preference for footwear that reflects such image. In addition, footwear companies keep introducing footwear that crosses over multiple categories, such as athletic/casual and casual/fashion combinations.

Growing Emphasis on Product Design and Development

Product design is one of the crucial core competencies required in the footwear industry and is expected to continue to be important in the future. Companies are focusing on research and development to design new products and improve existing products in order to be more responsive to the changes of consumer preferences in real time. With fashion trends changing rapidly, only companies with the ability to alter designs in response to the changing trends are likely to continue to be more successful.

Product and process developments are expected to gain greater importance in the future as the ability to keep up with shorter lead times and more rapid in-season replenishment prove to be the critical success factors for footwear retailers and manufacturers. Responding to changing consumer tastes, retailers are expanding their product lines and launching new products more frequently. To make new products available to the customers as soon as possible, they are increasingly using advanced inventory software to track, monitor and manage inventory, and thus maintain an efficient production-supply chain. Furthermore, as retailers seek to shorten the interval between delivery and sale, manufacturers are expected to develop more footwear products and schedule flexible manufacturing processes in order to turn around product at a faster pace.

COMPETITION

The casual and fashion footwear development and manufacturing industry is highly competitive. Other than footwear brand companies that have their own internal manufacturing capability, we principally compete with Asian-based footwear manufacturers, primarily other footwear manufacturers in China and Vietnam, largely as a result of the low labor costs in those countries. Our main competitors are the larger footwear manufacturers in the region, including, for example, Yue Yuen Industrial (Holdings) Limited and Kingmaker Footwear Holdings Limited. We compete principally on reputation, product quality, product design and development skills, price, product range, delivery, customer service and distribution, with varying emphasis on these factors depending on the market, the customer and the product. We believe that the principal barriers of entry into our industry include a lack of customer relationships, technical and operational know-how, product development expertise and manufacturing capacity.

As an integrated service provider, we seek to distinguish ourselves from our competitors in each phase of the footwear production process on the basis of customer relationships, technical know-how and capability, integrated service offerings, financial resources and sound management. In addition, we believe that we are among a limited number of footwear brand companies that have the capability of manufacturing both men's and women's footwear, which has enabled us to attract and broaden our customer base in the past.

OUR HISTORY

Mr. Jimmy Chen, the Chairman and one of our executive Directors, together with Mr. Eric Chao and Mr. Jack Chiang, established our footwear business in Taiwan in 1982 in order to produce women's footwear for customers that operated in the US retail market. Mr. Jimmy Chen, Mr. Eric Chao and Mr. Jack Chiang each contributed their expertise in the business to the Group. They have assumed their respective roles in the Group as described in the section headed "Directors and Management" in this prospectus. As our business expanded, our management decided to move our manufacturing base from Taiwan to China. We commenced our operations in China with the establishment of the Changan-1 Plant in 1991 pursuant to a processing agreement with the local entities in Dongguan, Guangdong Province, China whereby our 89 founding investors contributed various machineries used by their manufacturing operations in Taiwan to us for import into the Changan-1 Plant pursuant to the terms of the processing agreement.

As our reputation for producing high-quality women's footwear developed, existing and new customers also started placing orders for men's footwear, particularly men's casual footwear, with us. To deal with this additional demand, we extended our processing arrangements with the local entities in Dongguan in 1995 by constructing the Changan-2 Plant, which we used for the manufacture and development of men's casual footwear for leading casual footwear companies such as Clarks, Rockport, Timberland and Wolverine.

We continued to experience demand from our European customers as well as from our men's casual footwear customers. In order to add greater geographical diversity to our manufacturing base, we decided to explore opportunities to add production capacity outside of China. As a result, in 1998, our Group entered into an exclusive finished footwear supply arrangement with Golden Star Company Limited for the manufacture of men's casual and men's fashion footwear in Vietnam. We chose to manufacture in Vietnam because of its low labor costs, literate workforce and tariff and duty privileges.

In 1998, we further expanded our production capacity in China with our Changan-3 Plant (which is primarily responsible for the manufacture of men's fashion and casual footwear).

Capitalizing on our experience in manufacturing a wide variety of women's footwear, we further expanded our product range to produce more women's fashion shoes. We entered into further processing arrangements with the local entities in Dongguan which resulted in the establishment of the Selena Footwear Factory and the commencement of operations at the Dalingshan-1 Plant in 1999.

In 2000, with growing demand for our products, we again needed to expand our production capacity. We established Longchuan Simona Footwear as a wholly foreign-owned enterprise that year and production at that plant commenced shortly thereafter. The Longchuan Plant was initially used to satisfy the high level of demand we were then experiencing for the production of women's footwear. Since 2006, we have shifted production at this plant to the manufacture of men's casual and fashion footwear.

As demand for our products from existing customers continued to increase along with demands from new customers, we established another wholly foreign-owned enterprise called Dongguan Stella Footwear and constructed the Dalingshan-2 Plant and the Dalingshan-3 Plant in 2003 (both of which principally manufacture women's casual and fashion footwear) and the Dalingshan-4 Plant in 2006 (which principally manufactures men's casual and fashion footwear).

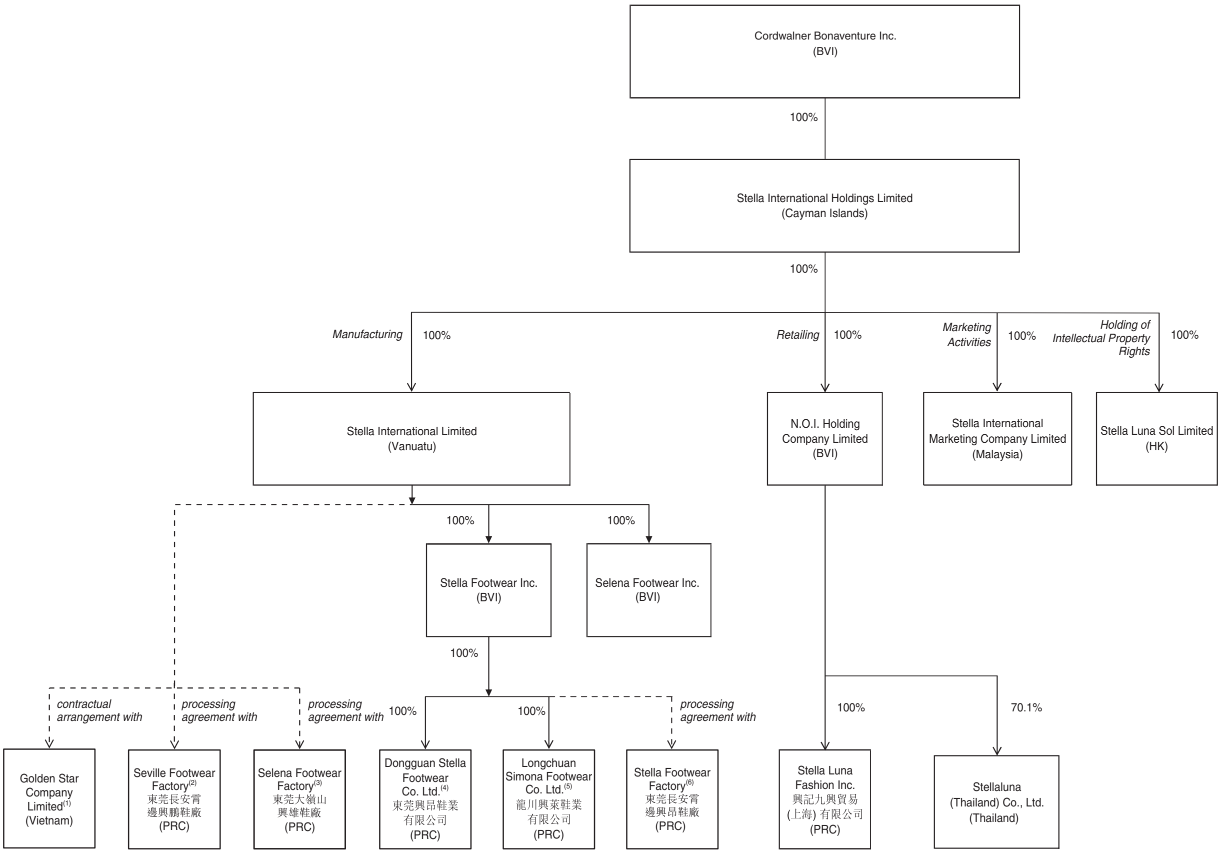
As of December 31, 2006, our estimated total capacity (including those manufacturing facilities used pursuant to processing and contractual arrangements) was approximately 45 million pairs of footwear per year. For more information regarding the expansion of our manufacturing capacity, please refer to the section headed "Business – Manufacturing Facilities" in this prospectus.

To capitalize on our expertise in high-quality footwear development and manufacturing and our close proximity to and deep understanding of the overall Chinese footwear market, we incorporated Stella Luna Fashion as a wholly foreign-owned enterprise in the PRC in 2006 to enter into the fashion footwear retail market in the PRC under the newly-established Stella Luna brand. In March 2006, we opened our first stand-alone flagship store in Shanghai and introduced our own Stella Luna branded women's fashion footwear and other leather goods that we design such as handbags. We also have a boutique store and concessionary shops in department stores in 21 major cities in the PRC.

CORPORATE STRUCTURE OF OUR GROUP

Our Company was incorporated as an exempted company in the Cayman Islands on March 5, 2007. For further details of the changes to our share capital since our incorporation, please refer to Appendix VI "Statutory and General Information" to this prospectus.

As of the date of this prospectus, we are 100% owned by Cordwalner Bonaventure Inc. The following chart sets forth our corporate and shareholding structure as of the date of this prospectus:



(1) Golden Star Company Limited owns the manufacturing facilities used by us at the Vietnam-1 Plant and the Vietnam-2 Plant pursuant to a contractual arrangement.
(2) 東莞長安霄邊興鵬鞋廠 (Seville Footwear Factory), for the purpose of this prospectus, is commonly referred to as the Changan-2 Plant and the Changan-3 Plant pursuant to a processing agreement.
(3) 東莞大嶺山興雄鞋廠 (Selena Footwear Factory), for the purpose of this prospectus, is commonly referred to as the Dalingshan-1 Plant pursuant to a processing agreement.
(4) Dongguan Stella Footwear Co. Ltd. (東莞興昂鞋業有限公司) owns our own manufacturing facilities which, for the purpose of this prospectus are commonly referred to as at the Dalingshan-2 Plant, the Dalingshan-3-Plant and the Dalingshan-4 Plant.
(5) Longchuan Simona Footwear Co. Ltd. (龍川興萊鞋業有限公司) owns our own manufacturing facilities which, for the purpose of this prospectus are commonly referred to as at the Longchuan Plant.
(6) 東莞長安霄邊興昂鞋廠 (Stella Footwear Factory), for the purpose of this prospectus, is commonly referred to as the Changan-1 Plant pursuant to a processing agreement.

Details on Cordwalner Bonaventure Inc.

The share capital of Cordwalner Bonaventure Inc. comprises two classes of shares, namely, ordinary shares and preferred shares. The holders of the share capital of Cordwalner Bonaventure Inc. are as follows:

Name of the Holders	Approximate Percentage of Shareholding
Ordinary shares	
Directors, their respective spouses and children under the age of 18	
Mr. Jimmy Chen	7.49%
Ms. Pan Hsing-I *(spouse of Mr. Jimmy Chen)*	6.24%
Mr. Jack Chiang	7.49%
Mr. Eric Chao	7.49%
Mrs. Tracy Chao *(spouse of Mr. Eric Chao)*	3.71%
Mr. Shieh Tung-Pi, Billy	3.69%
Mr. Chi Lo-Jen, Stephen	2.28%
Mr. Shih Takuen, Daniel	0.64%
Other family members (other than spouses and children under the age of 18) of the Directors	
Mr. Lawrence Chen	7.48%
Mr. Yang Chen-Ning	2.01%
Other family members	18.21%
Senior management of our Group (other than the Directors and their family members): Mr. Lee Kwok Ming, Mr. Chen Tung-Po, Mr. Chang Ching-Hung, Mr. Chen Tung-Jui, Mr. Huang Wei Ming, Buddy, Mr. Chang Chen-Ou, Mr. Chu Chao-Min and Mr. Tseng Chung-Chieh holding in aggregate	12.13%
Other 69 employees of our Group	18.83%
A former employee of our Group	0.29%
Four passive investors	0.52%
Sub-total:	98.50%
Preferred shares	
Huge Profit Enterprise Limited	0.33%
Eagle Mate Capital Limited	1.17%
Sub-total:	1.50%
Total	100%

The ordinary shares of Cordwalner Bonaventure Inc. are subject to the redemption policy set by its board of directors from time to time, provided that no such ordinary shares may be redeemed by it for the period commencing from their date of allotment and issue and ending on the date of expiry of the first six months after the Listing Date, and that no such redemption may be effected during the second six months after the Listing Date if immediately following such redemption, there would be a change of our controlling shareholder.

Under the memorandum of association of Cordwalner Bonaventure Inc., the redemption of its ordinary shares can be effected using cash, a dividend-in-kind of our Shares then held by Cordwalner Bonaventure Inc. and/or other property or scrip or a combination of any of the above. Under the current redemption policy of Cordwalner Bonaventure Inc., up to 25% of its ordinary shares held by its holders or, in the event that a holder of ordinary shares holds less than 0.5% of the entire issued shares (assuming all outstanding preferred shares are converted into ordinary shares on a one-to-one basis) in Cordwalner Bonaventure Inc., all of the ordinary shares then held by it, can be redeemed by Cordwalner Bonaventure Inc. in five equal tranches on the dates falling on the expiration of six months, 12 months, 24 months, 36 months and 60 months after the Listing Date. The redemption can be effected by a dividend-in-kind of such number of Shares as is attributable to each ordinary share (calculated by reference to the equity interest represented by each ordinary share in Cordwalner Bonaventure Inc. and the total number of Shares held by Cordwalner Bonaventure Inc. at the relevant time of such redemption) due to be redeemed, provided that in the event of any such redemption, Cordwalner Bonaventure Inc. may also elect to pay the holders of the ordinary shares a cash amount calculated by reference to the then prevailing market price of the Shares attributable to number of ordinary shares due to be redeemed, in lieu of a dividend-in-kind of the Shares.

The memorandum and articles of association of Cordwalner Bonaventure Inc. do not confer any right on the holders of ordinary shares of Cordwalner Bonaventure Inc. to request redemption. As the ordinary shareholders are the Core Owners, most of whom are our senior management and key employees, the purpose of the shareholding structure of Cordwalner Bonaventure Inc. and its redemption policy is to encourage their long-term commitment to our future development and growth while also allowing them to realize part of their investment in us over a period of five years.

On April 9, 2007, each of Huge Profit Enterprise Limited and Eagle Mate Capital Limited entered into investment agreements with Cordwalner Bonaventure Inc. Under these agreements, they agreed to subscribe for 3,384 and 11,846 preferred shares in the share capital of Cordwalner Bonaventure Inc., respectively, for an aggregate cash consideration of US$4,050,000 payable upon the signing of the subscription agreements. Completion under the subscription agreements took place on June 13, 2007 and an aggregate of 15,230 preferred shares were allotted and issued to these investors on that date.

Holders of preferred shares enjoy similar rights to the holders of ordinary shares except that:

(i) holders of preferred shares are not entitled to any dividends or distributions as may from time to time be made or declared by Cordwalner Bonaventure Inc. out of or attributable to our profits, surpluses, reserves, income, receipts or gains in respect of any period ended on or before December 31, 2006;

(ii) each preferred share will, on the day falling on the expiry of six months after the Listing Date, be automatically redeemed by Cordwalner Bonaventure Inc. using a dividend-in-kind of such number of Shares as shall be attributable to the respective preferred shareholders' *pro rata* interest in Cordwalner Bonaventure Inc. (assuming that all the preferred shares are converted into ordinary shares on a one-to-one basis); and

(iii) on a distribution of assets of Cordwalner Bonaventure Inc. upon its winding up, holders of the then outstanding preferred shares are entitled to receive, on a *pari passu* basis and in priority to the holders of the ordinary shares, an amount equal to the original issue price of such preferred shares plus any dividends declared but remaining unpaid thereon. Any remaining surplus assets will be divided equally among the holders of the ordinary shares and the preferred shares *pro rata* to their respective shareholdings in Cordwalner Bonaventure Inc. as if all of the then outstanding preferred shares are converted into ordinary shares on a one-to-one basis.

The memorandum and articles of association of Cordwalner Bonaventure Inc. do not confer any right on the holders of preferred shares of Cordwalner Bonaventure Inc. to request redemption of any of these preferred shares by Cordwalner Bonaventure Inc. other than the automatic redemption right referred to in paragraph (ii) above.

These investors and their respective beneficial owners are passive investors in our Group and they are not connected with any of our connected persons or any of their respective associates. Details of these investors are set out below:

Huge Profit Enterprise Limited

Huge Profit Enterprise Limited is a private limited company incorporated in the BVI and is wholly owned by Mr. Ernesto Correa da Silva.

Mr. Ernesto Correa da Silva has extensive experience in the retail fashion footwear business in the US and Southeast Asia and the Directors believe that closer alliances with him through his investment in Cordwalner Bonaventure Inc. would enhance our Group's future development in fashion footwear retail business in the PRC.

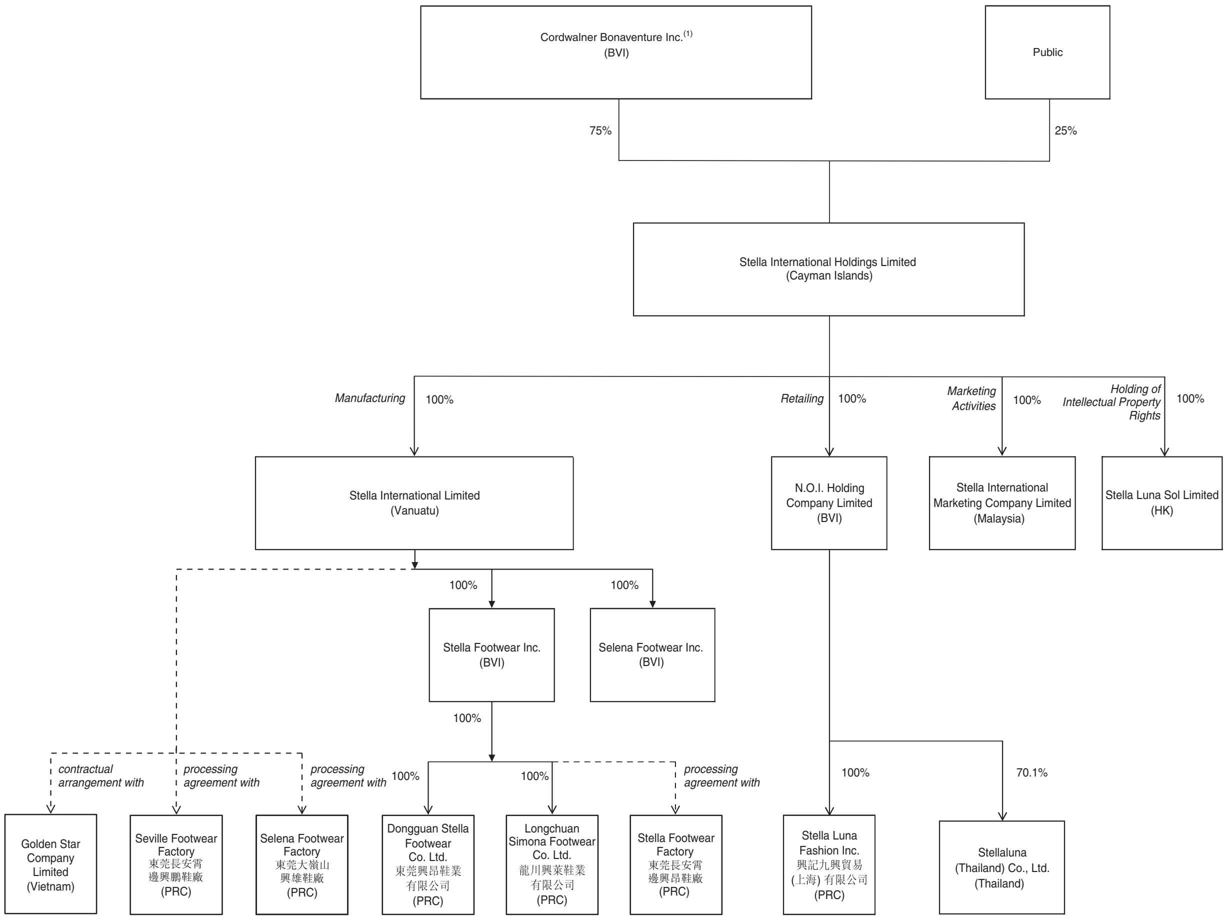
Neither Mr. Ernesto Correa da Silva nor Huge Profit Enterprise Limited has had any business relations with our Group during the Track Record Period.

Eagle Mate Capital Limited

Eagle Mate Capital Limited is a company incorporated in the BVI and is wholly owned by Ms. Cheung Suet Fei, who is one of our employees. The preferred shares of Cordwalner Bonaventure Inc. held by Eagle Mate Capital Limited will form the subject matter of a share incentive scheme for the benefit of our employees and the employees of other business operations that may from time to time be undertaken by Cordwalner Bonaventure Inc. As of the Latest Practicable Date, neither the preferred shares nor the Shares failing to be distributed upon redemption of the preferred shares had been vested in any of our employees or employees of Cordwalner Bonaventure Inc.

The issue price of the preferred shares of Cordwalner Bonaventure Inc. was determined by the parties by reference to the *pro forma* net assets value of our Group as of December 31, 2006 on the basis that the Reorganization had been completed on that date. Each of Huge Profit Enterprise Limited and Eagle Mate Capital Limited will be entitled to receive 1,949,942 Shares and 6,825,950 Shares upon redemption in full of all the preferred shares of Cordwalner Bonaventure Inc. on the day falling on the expiration of six months after the Listing Date, representing approximately 0.25% and 0.88% of the entire issued Shares immediately after the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised). The cost of investment per Share by each of Huge Profit Enterprise Limited and Eagle Mate Capital Limited will be approximately HK$3.60, representing approximately 25.71% of the mid-point of the indicative Offer Price of HK$14.00 per Share.

Set forth below is our shareholding structure as it will be immediately after the Global Offering and the Capitalization Issue, assuming that the Over-allotment Option is not exercised:



(1) As of the date of this prospectus, the shareholding of Cordwalner Bonaventure Inc. is as set out in the sub-section headed "Details on Cordwalner Bonaventure Inc." of this section.

OUR SUBSIDIARIES

As of the date of the prospectus, our Company has ten subsidiaries. Details on our principal operating subsidiaries are described below.

SIL

SIL was incorporated as a limited company in Vanuatu on September 19, 1996, with one share with par value of US$1 issued and allotted to Bonaventure Company Limited.

SIL is our intermediate holding company as well as an operating subsidiary for our footwear business. It acts as our Group's principal contracting party with the Dongguan Local Entities (as defined in the section headed "Business – Manufacturing Facilities – Manufacturing Facilities Used Pursuant to Processing Agreements" in this prospectus) in respect of our processing arrangements in China, as well as with third party suppliers and our customers. We are entitled to operate the Changan-1 Plant, the Changan-2 Plant, the Changan-3 Plant and the Dalingshan-1 Plant pursuant to these processing arrangements.

At the time of incorporation, the entire issued share capital of SIL was owned by Bonaventure Company Limited in trust for 89 beneficial owners. In the second half of 2003, we raised further capital for the development of SIL in an aggregate sum of NT$64,550,000 by way of further capital contributions by the 89 founding investors and five other new investors, being the employees of our Group, also made part of the capital contribution. In December 2003, as part of our Directors' family arrangements, (i) Mr. Chen I Cheong, the father of Mr. Jimmy Chen and Mr. Lawrence Chen, transferred an aggregate of approximately 4.9% of his beneficial interest in SIL, being his entire interest therein, to Mr. Jimmy Chen, Mr. Lawrence Chen, Ms. Chen Chin-Mei (the sister of Mr. Jimmy Chen and Mr. Lawrence Chen) and Mr. Shih Takuen, Daniel; (ii) Mr. Jimmy Chen transferred approximately 5.98% of his beneficial interests in SIL to his spouse, Ms. Pan Hsing-I; (iii) Mr. Eric Chao transferred approximately 3.77% of his beneficial interest in SIL to his spouse, Mrs. Tracy Chao; (iv) Mr. Jack Chiang transferred approximately 4.79% of his beneficial interest in SIL to his son, Mr. Chiang Yi-Min, Harvey; and (v) Mr. Lawrence Chen transferred approximately 4.67% of his beneficial interest in SIL to his spouse, Ms. Yang Meng-Chiu. Immediately after completion of these family arrangements and as of January 1, 2004, the date of commencement of the Track Record Period, the entire issued share capital of SIL was beneficially owned by 101 beneficial owners, as to an aggregate of approximately 39.26% by Mr. Jimmy Chen, Mr. Jack Chiang, Mr. Eric Chao, Mr. Shieh Tung-Pi, Billy, Mr. Chi Lo-Jen, Stephen and Mr. Shih Takuen, Daniel and their respective spouses, as to approximately 28.13% by their other family members, as to approximately 31.79% by 81 other then senior management and employees of our Group, as to approximately 0.29% by a former employee of our Group and as to approximately 0.53% by four passive investors of our Group.

The various transfers of beneficial interests of SIL since January 1, 2004 are as follows:

(a) the transfer of an aggregate of approximately 0.55% of the beneficial interest in SIL in 2006 by five former employees of our Group, who left our Group during that year, to Ms. Pan Hsing-I, the spouse of Mr. Jimmy Chen, for cash at the aggregate consideration of NT$16,000,000. These former employees decided to realize their investments in our Group upon their departure and accordingly Mr. Jimmy Chen agreed to acquire their investments and directed these former employees to transfer such investments to his spouse; and

(b) the transfer of 0.2% of the beneficial interest in SIL by Ms. Pan Hsing-I to Mr. Lee Kwok Ming, our chief financial officer and qualified accountant, by way of a gift in March 2007 as an incentive to attract and retain Mr. Lee to join us.

Subsequent to the above-mentioned transfers, the shareholding in SIL was beneficially owned by the 97 Core Owners. Details of the 97 Core Owners and their then respective holdings in SIL are set out in the section headed "Further Information About Our Company – Reorganization" in Appendix VI "Statutory and General Information" to this prospectus.

The trust arrangement between the beneficial owners of SIL and Bonaventure Company Limited originated at the time we first commenced our operations in the PRC in 1991, when Mr. Jimmy Chen was appointed by the 89 founding investors to be responsible for the establishment of the investment vehicle in connection with our processing operations in the PRC. In 1996, the group structure was rationalized following the incorporation of SIL in September 1996 under the sole name of Bonaventure Company Limited, which held its interest in the share capital of SIL on trust for these 89 founding investors for administrative convenience. No formal trust documentation had been signed between Bonaventure Company Limited and the beneficial owners of SIL since the incorporation of SIL until March 2007, when the trust arrangement was formalized in a deed of confirmation dated March 9, 2007 ("**Confirmatory Deed**") and signed by Bonaventure Company Limited and all of the existing and past beneficial owners of SIL. The trust arrangement in respect of the shares of SIL existed since the incorporation of SIL in 1996 and dividend payments of SIL were made since December 31, 2003 and throughout the Track Record Period to the then beneficial owners of SIL in proportion to their respective beneficial interest in SIL as set out in the Confirmatory Deed.

As part of the Reorganization, Bonaventure Company Limited transferred to Cordwalner Bonaventure Inc. the entire issued share capital in SIL on June 13, 2007, and Cordwalner Bonaventure Inc. transferred its entire shareholding in SIL to our Company on June 13, 2007. Details of the

Reorganization and the changes in the shareholdings of SIL are set out in the section headed "Further Information About Our Company – Reorganization" in Appendix VI "Statutory and General Information" to this prospectus.

Longchuan Simona Footwear

Longchuan Simona Footwear was established as a wholly foreign-owned enterprise in the PRC on August 15, 2000. It has a total investment amount and a registered capital of HK$155,300,000.

Longchuan Simona Footwear owns the Longchuan Plant. This operating entity is principally responsible for the manufacture of men's casual footwear. It comprises a total of 8 production lines and has an annual production capacity of approximately 3.5 million pairs.

Simona Footwear Co. Ltd., a company incorporated in Hong Kong, was the sole foreign investor of Longchuan Simona Footwear at the time of its incorporation. Simona Footwear Co. Ltd. held its interests in Longchuan Simona Footwear on trust for Stella Footwear Inc. In April 2006, Simona Footwear Co. Ltd. transferred its entire equity interests in Longchuan Simona Footwear to Stella Footwear Inc. and such transfer was approved by the approving authority in the PRC in April 2006.

Selena Footwear Inc.

Selena Footwear Inc. was incorporated as a limited liability company in the BVI on March 21, 2001, and its entire issued share capital has been owned by SIL since its establishment. It has an authorized share capital of US$50,000 divided into 50,000 shares of US$1 each. One share of US$1, being the entire issued capital of Selena Footwear Inc., was issued to SIL on March 21, 2001.

Selena Footwear Inc. is responsible for the Group's marketing, research and development activities.

Stella Footwear Inc.

Stella Footwear Inc. was incorporated as a limited company in the BVI on March 21, 2001.

Stella Footwear Inc. is an intermediate holding company as well as an operating subsidiary for our footwear business.

At the time of its incorporation, the entire issued capital of Stella Footwear Inc. was owned by SIL. The entire shareholding of Stella Footwear Inc. was held by SIL in trust for 33 investors, who are members of the Core Owners then holding more than 64% of the beneficial interests in SIL and who are the key managers of Dongguan Stella Footwear and Longchuan Simona Footwear. The names of these 33 investors are set out in paragraph 5(c) in the section headed "Further Information About Our Company – Reorganization" in Appendix VI "Statutory and General Information" to this prospectus.

30 out of these 33 investors are residents of Taiwan, and their investments through Stella Footwear Inc. in the PRC entities are subject to the approval by the Taiwan Investment Commission ("**TIC**"). As the remaining Core Owners did not participate in the investments in Dongguan Stella Footwear and Longchuan Simona Footwear through Stella Footwear Inc. at that time, to facilitate the application by these 30 Taiwanese investors to TIC for approval of their investments in Dongguan Stella Footwear and Longchuan Simona Footwear, in October 2006, a transfer of one share and an allotment and issue of 3,946 shares in Stella Footwear Inc. were made to these 33 investors in proportion to their respective investments in Stella Footwear Inc., as more particularly described in paragraph 5(c) in the section headed "Further Information About Our Company – Reorganization" in Appendix VI "Statutory and General Information" to this prospectus.

Our Taiwan legal advisers have confirmed that the investment of the 30 Taiwanese investors in Stella Footwear Inc. was subsequently approved by TIC on January 5, 2007.

As part of the Reorganization, Stella Footwear Inc. became a wholly-owned subsidiary of SIL. Details of the Reorganization and the changes in shareholding of Stella Footwear Inc. are set out in the section headed "Further Information About Our Company – Reorganization" in Appendix VI "Statutory and General Information" to this prospectus.

Dongguan Stella Footwear

Dongguan Stella Footwear was established as a wholly foreign-owned enterprise in the PRC on June 12, 2003. It has a total investment amount of HK$208,710,000 and a registered capital of HK$178,710,000.

Dongguan Stella Footwear owns the Dalingshan-2 Plant, the Dalingshan-3 Plant and the Dalingshan-4 Plant. This operating entity is principally responsible for the manufacture of women's causal and fashion footwear as well as men's casual and fashion footwear. It comprises a total of 28 production lines and has an annual production capacity of approximately 14.5 million pairs.

Dongguan Stella Footwear has been wholly-owned by Stella Footwear Inc. since its establishment.

Stella Luna Fashion

Stella Luna Fashion was established as a wholly foreign-owned enterprise in the PRC on January 23, 2006. It has a total investment amount of US$6,000,000 and a registered capital of US$3,000,000.

Stella Luna Fashion is responsible for conducting the Group's retail business in the PRC.

Stella Luna Fashion has been wholly-owned by N.O.I. Holding Company Limited, an intermediate investment holding company of the Group, since its establishment. At the time of establishment of Stella Luna Fashion, the entire issued share capital in N.O.I. Holding Company Limited was held in trust by SIL for Mr. Lawrence Chen, Mr. Jimmy Chen, Mr. Chi Lo-Jen, Stephen and Mr. Huang Wei Ming, Buddy, who are members of the Core Owners, in equal shares. Mr. Lawrence Chen and Mr. Jimmy Chen are residents of Taiwan, and their investments through N.O.I Holding Company Limited in the PRC entities are subject to the approval by TIC. As the remaining Core Owners did not participate in the investments in Stella Luna Fashion through N.O.I Holding Company Limited at that time, to facilitate the application by Mr. Lawrence Chen and Mr. Jimmy Chen to TIC for approval of their investments in Stella Luna Fashion, in October 2006, a transfer of one share and an allotment and issue of three shares in N.O.I. Holding Company Limited were made to Mr. Lawrence Chen, Mr. Jimmy Chen, Mr. Chi Lo-Jen, Stephen and Mr. Huang Wei Ming, Buddy in proportion to their respective investments in N.O.I. Holding Company Limited, as described in more detail in paragraph 5(b) in the section headed "Further Information About Our Company – Reorganization" in Appendix VI "Statutory and General Information" to this prospectus.

Our Taiwan legal advisers have confirmed that the investment of Mr. Lawrence Chen and Mr. Jimmy Chen in N.O.I. Holding Company Limited was subsequently approved by TIC on January 2, 2007.

As part of the Reorganization, N.O.I. Holding Company Limited became a wholly-owned subsidiary of our Company. Details of the Reorganization and the changes in the shareholding of N.O.I. Holding Company Limited are set out in the section headed "Further Information About Our Company – Reorganization" in Appendix VI "Statutory and General Information" to this prospectus.

Stella International Marketing Company Limited

Stella International Marketing Company Limited was incorporated as a limited company on August 23, 2006 in Malaysia.

Stella International Marketing Company Limited is responsible for conducting the Group's marketing activities.

The one subscriber share in Stella International Marketing Company Limited was transferred to Bonaventure Company Limited, the then holding company of the Group, on August 25, 2006. On the same day, Stella International Marketing Company Limited issued and allotted 9,999 shares with a par value of US$1 each to Bonaventure Company Limited.

As part of the Reorganization, Bonaventure Company Limited transferred to Cordwalner Bonaventure Inc. the entire issued share capital in Stella International Marketing Company Limited on June 13, 2007, and Cordwalner Bonaventure Inc. transferred its entire shareholding in Stella International Marketing Company Limited to our Company on June 13, 2007. Details of the Reorganization and the changes in the shareholdings of Stella International Marketing Company Limited are set out in the section headed "Further Information About Our Company – Reorganization" in Appendix VI "Statutory and General Information" to this prospectus.

Stella Luna Sol Limited

Stella Luna Sol Limited (formerly known as Stella Creative Co. Limited) was incorporated as a limited company on December 30, 2006 in Hong Kong.

Stella Luna Sol Limited is responsible for holding the Group's intellectual property rights.

The one subscriber share in Stella Luna Sol Limited was transferred to Bonaventure Company Limited on January 31, 2007. As part of the Reorganization, Bonaventure Company Limited transferred to Cordwalner Bonaventure Inc. the entire issued share capital in Stella Luna Sol Limited on June 13, 2007, and Cordwalner Bonaventure Inc. transferred its entire shareholding in Stella Luna Sol Limited to our Company on June 13, 2007. Details of the Reorganization and the changes in the shareholdings of Stella Luna Sol Limited are set out in the section headed "Further Information About Our Company – Reorganization" in Appendix VI "Statutory and General Information" to this prospectus.

Stellaluna (Thailand) Co., Ltd.

Stellaluna (Thailand) Co., Ltd. was incorporated as a limited company on February 23, 2007 in Thailand. It has a registered capital of 20,000,000 Baht.

Stellaluna (Thailand) Co., Ltd. is responsible for conducting the Group's retail business in Thailand.

It is held as to 70.1% by N.O.I. Holding Company Limited, the Group's intermediate holding company, and as to 29.9% by Mr. Andrew James Berry. At the time of incorporation of Stellaluna (Thailand) Co., Ltd., the entire issued capital in N.O.I. Holding Company Limited was owned by Mr. Lawrence Chen, Mr. Jimmy Chen, Mr. Chi Lo-Jen, Stephen and Mr. Huang Wei Ming, Buddy, who are members of the Core Owners, in equal shares.

As part of the Reorganization, N.O.I. Holding Company Limited became a wholly-owned subsidiary of our Company. Details of the Reorganization and the changes in the shareholding of N.O.I. Holding Company Limited are set out in the section headed "Further Information About Our Company – Reorganization" in Appendix VI "Statutory and General Information" to this prospectus.

A table setting out details of our subsidiaries, place and date of incorporation, issued and registered capital and principal activities is set out in the section headed "Our Subsidiaries" in Appendix VI "Statutory and General Information" to this prospectus.

OVERVIEW

We develop and manufacture footwear products for leading casual and fashion footwear companies worldwide and have begun to establish our own retail distribution network and introduced our own Stella Luna brand of women's fashion footwear.

Our customers include six of the top ten casual footwear companies, based on revenue in 2005, including Clarks, Deckers, ECCO, Rockport, Timberland and Wolverine, and leading fashion footwear companies, such as Cole Haan, Kenneth Cole and Nine West. We also develop and manufacture footwear for high-fashion brands such as Celine, Christian Lacroix, Donna Karan New York, Emilio Pucci, Enzo Angiolini, Givenchy, Kenzo, Loewe, Marc by Marc Jacobs, Paul Smith, Sigerson Morrison and Via Spiga. In addition, we design, develop and manufacture private label footwear for several well-known large chain-store retailers such as J.C. Penney.

We manufacture footwear at our facilities in Guangdong Province, China and through processing and contractual arrangements in both China and Vietnam. We have the flexibility to manufacture a broad range of customized designs, ranging from men's to women's footwear, and from casual to fashion footwear, with short lead times and the scale to achieve cost efficiency. We also provide footwear development services, which involve realizing design concepts into prototypes and producing samples. In addition, we provide fashion footwear design services. We believe that, with our expertise in product design and development and our experience in high-quality manufacturing, we are well positioned to attract and retain leading casual and fashion footwear brand companies as customers and to achieve an average selling price higher than the industry average.

We have more than 300 development teams, which are all based in Guangdong Province, China. We operate four manufacturing facilities in Guangdong Province with 36 production lines to manufacture men's or women's footwear. Our products are also manufactured at six other facilities in China and Vietnam pursuant to processing and contractual arrangements. As of December 31, 2006, the estimated total capacity of the production lines in China and Vietnam (including those manufacturing facilities used by us pursuant to processing and contractual arrangements) was approximately 45 million pairs of footwear per year. We also outsource the production of some of our private label footwear and occasionally subcontract certain components and tooling of casual and fashion footwear, such as less complex patterns on uppers that require extensive manual stitching, to a large number of unaffiliated third-party manufacturers in China.

In 2006, we began to establish our own retail distribution network and introduced our own Stella Luna brand of women's fashion footwear in order to leverage our experience in footwear, and knowledge of and proximity to the PRC market, to take advantage of the market opportunities presented by the growing number of middle and upper-middle class consumers in China. Under our Stella Luna brand, we sell women's fashion footwear which we design, develop and manufacture, and other leather goods, such as handbags, for which we primarily focus on product design. We also sell Guess women's fashion footwear in our retail stores. In March 2006, we opened our first stand-alone flagship store in Shanghai, and in May 2006, we opened a Stella Luna boutique store in a Shanghai shopping mall. As of the Latest Practicable Date, we have 37 retail stores in 21 major cities in China. In addition, we have opened two retail stores in Bangkok, Thailand and one retail store in Phuket, Thailand and plan to open one retail store in Macau and two retail stores in Taiwan in 2007. We may continue to expand beyond China if attractive opportunities arise.

We sold approximately 35.8 million, 37.8 million and 43.4 million pairs of footwear in 2004, 2005 and 2006, respectively. For the same periods, our revenue was US$575.4 million, US$668.9 million, and US$779.3 million, respectively, representing a compound annual growth rate of 16.4%, and our profit was US$52.8 million, US$85.4 million, and US$91.4 million, respectively.

COMPETITIVE STRENGTHS

Since the establishment of Stella, our mission has been to make shoes of the highest quality at competitive prices. Our manufacturing capability and design and development expertise have enabled us to make high-quality footwear and foster long-term customer relationships. We believe that the following are the principal competitive strengths of Stella.

Our expertise and capabilities in footwear design and development enhance our ability to attract brand customers and maximize profitability.

We believe that our footwear design and development expertise and our flexibility in meeting the quality, cost, volume and delivery schedule requirements of leading casual and fashion footwear brand companies have been the principal drivers of our success, particularly in attracting and retaining footwear brand customers and enhancing profitability, as evidenced by our strong track record of profitability. We focus on serving casual and fashion footwear brand customers, who typically require more sophisticated product design and development capabilities and shorter lead times as compared to mass market footwear customers, since brand customers typically introduce new products and designs frequently to meet rapidly changing consumer fashion trends. We also increasingly collaborate with our customers in the shoe design process. Some of our customers, including Deckers and Marc Fisher LLC, the exclusive footwear licensee of Guess, have leveraged our design and development expertise to create new product lines of casual and fashion footwear.

We believe that our ability to offer our customers one-stop design, development and manufacturing solutions allows us to be more responsive to changes in consumer preferences, to develop and manufacture products with more complex designs and to charge a premium for the development and manufacturing service. This capability is a significant competitive advantage as many of our competitors currently do not offer as comprehensive a range of services, and lack the level of craftsmanship and expertise that we have accumulated from our years of experience. We have more than 300 development teams and more than 3,100 technicians dedicated to design and development. Our technicians have many years of experience in the field which enable them to translate complex conceptual ideas that they receive from the designers into a sample prototype, with an emphasis on quality, comfort and style. We developed more than 4,500, 7,600, and 9,500 distinct footwear designs for our casual and fashion customers in 2004, 2005 and 2006, respectively. Even for complex designs, we are generally able to develop a prototype within a week or less after receiving a customer’s design.

In addition to outsourcing their manufacturing requirements, footwear companies are increasingly outsourcing their design, development and manufacturing to third-party service providers. We believe we are well-positioned to capitalize on the market opportunities presented by current outsourcing trends and intend to do so by leveraging our experience and expertise in product design and development.

We have built a broad customer base and established long-term relationships with leading casual and fashion footwear brand companies.

We design, develop and manufacture footwear for a broad customer base which includes many of the world’s leading footwear brand companies. Footwear made by us is sold across many parts of Europe, North America and Asia. Our customers include:

- casual footwear companies, such as Clarks, Deckers, ECCO, Rockport, Timberland and Wolverine;
- fashion footwear companies, such as Cole Haan, Kenneth Cole and Nine West;
- high-fashion brands, such as Celine, Christian Lacroix, Donna Karan New York, Emilio Pucci, Enzo Angiolini, Givenchy, Kenzo, Loewe, Marc by Marc Jacobs, Paul Smith, Sigerson Morrison and Via Spiga; and
- well-known large chain-store retailers, such as J.C. Penney, for which we develop and manufacture private label footwear.

In each of 2004, 2005 and 2006, no single customer contributed more than 20% of our revenue. None of our contracts with our customers require that our arrangements with them be on an exclusive basis.

We have cultivated long-term relationships with most of our key customers. In 2006, four of our top ten customers (namely, Brown Shoe, Nine West, Rockport and Timberland) had been our customers for more than ten years and another three (namely, Clarks, Deckers and Wolverine) had been our customers for more than five years.

From time to time, we will optimize our customer portfolio to align it with our strategy and to enable the full utilization of our manufacturing capacity. We intend to add new labels to our customer base, particularly in the fashion and the casual footwear sectors. For example, during the past three years, we added Paul Smith and Marc by Marc Jacobs to our customer base.

Our strong customer relationships, and close collaboration with leading casual and fashion footwear brand companies in the design and development process, give our product design and development teams the opportunity to keep abreast of changing fashion trends. This has also helped us to develop or acquire the techniques and know-how needed to meet our customers' exacting standards and quality control requirements while effectively controlling costs. Our early involvement in the design and development of footwear also provides us with better sales visibility and facilitates better management of resources and capacity utilization.

We are able to manufacture high-quality footwear in small, customized orders to meet the needs of our brand customers, particularly high-fashion footwear customers.

One of our competitive advantages is our ability to fill a high volume of orders to manufacture a broad range of designs of high-quality footwear cost-effectively in small, customized batches (*i.e.*, less than 1,000 pairs of footwear per design). This has been an important factor in our success with brand customers, who increasingly place small, customized orders, especially those with higher average selling prices, in particular high-fashion footwear customers. Large scale footwear manufacturers, such as those that mass produce athletic shoes, typically focus on high volume products, where volume per batch or design is typically large and average selling price is lower given the mass scale of production. Smaller, boutique footwear companies, on the other hand, who typically focus on highly complex designs or quality, generally can only afford a very small scale of production and thus, are not cost efficient given the sophisticated craftsmanship required. This is generally found in haute couture or custom made products. We, however, are able to overcome the manufacturing challenge and are able to produce small batches of complex, high quality footwear. This enables us to charge higher prices given the complexity and craftsmanship involved. At the same time, we are also able to maintain a large scale production, selling over 43 million pairs of shoes in 2006, to enjoy cost efficiency. This unique combination allows us to attract fashion-conscious brand customers, as they are able to produce small batches of each design to respond to changing consumer preferences, and hence yield higher margins and enhance our profitability.

We have developed flexible and efficient manufacturing operations.

In our more than 20 years as a footwear manufacturer, we have developed significant industry know-how and expertise, permitting us to manage our production lines with a view to optimizing efficiency. We operate flexible production lines that can be cost-effectively converted to enable the manufacture of a broad range of designs and styles of footwear, achieving a low per-unit production cost for products with small volume orders and higher average selling prices. Specifically, our highly skilled employees can move quickly from one design to another with only minimal time required. In addition, our production line can switch efficiently between men's and women's footwear, and between casual and fashion footwear, all the while maintaining a high quality for all our products. Such flexibility allows us to optimize our capacity utilization to achieve maximum efficiency and enables us to produce, even for complex designs, small customized orders that brand customers, particularly high-fashion footwear customers, increasingly place. We believe we are among a limited number of manufacturers that can do this cost-effectively and on such scale, as other manufacturers, such as mass production athletic footwear manufacturers, typically focus on large-scale production (which can be over a million pairs of footwear per design) that requires more automated mass production but generally yields lower margins. We also seek to achieve manufacturing efficiency by selectively employing advanced machinery and equipment and upgrading our management skills on an ongoing basis and to enhance our product quality. We also seek to enhance the efficiency of our low-cost workforce through regular training of our workforce.

We have a strong senior management team with in-depth industry knowledge and an established track record, whose interests are aligned with our Company.

We have a strong senior management team with in-depth industry knowledge and an established track record at our Company. Many of our senior managers have more than 20 years of experience in the footwear industry, and most members of our management team have been with our Company for 15 years or more. Our senior management team has employed its industry knowledge and experience to successfully develop our business and to establish long-term relationships with many leading casual and fashion brand footwear companies. We believe that our Company has benefited from our policy of aligning our senior management's interests with our Company's interests. As of the Latest Practicable Date, our senior management members and employees (other than the executive Directors) beneficially own approximately 40% of our Company through their ownership of Cordwalner Bonaventure Inc., the parent and sole shareholder of our Company.

STRATEGIES

We seek to enhance shareholder value by leveraging our core expertise in footwear design, development and manufacturing with a view to increasing our revenue while maintaining or enhancing margins. To achieve these goals, we are pursuing the following principal strategies.

Continue to provide value-added solutions by focusing on design and development.

We seek to deepen our relationships with customers and secure higher-margin business by providing our customers with a range of value-added services and solutions. Unlike many Asia-based footwear manufacturers that focus primarily on manufacturing, we offer integrated, value-added services to our customers focusing on design and development. We encourage our customers to regard us not only as a footwear manufacturer, but also as an integral partner for each stage of the manufacturing process, beginning with concept design and continuing through product development to the final delivery of high-quality products. Our design and development expertise spans a broad range of processes from selecting the appropriate materials and sole units to match the design, developing the prototype, to creating the model lasts which are critical to the production process. We have more than 300 development teams and more than 3,100 technicians dedicated to design and development.

Target the women's fashion footwear market.

We expect worldwide demand for women's fashion footwear to continue to grow. We plan to leverage our expertise and experience in design and development to retain and attract more women's fashion footwear brand companies as our customers. As women's fashion footwear requires precise manufacturing skill, short lead time and timely delivery, we plan to utilize our manufacturing facilities in China to produce more women's fashion and high-fashion footwear, which benefit from convenient access to our management and product development teams, while outsourcing the manufacturing of private label products to third-party manufacturers.

Enhance recognition of our "Stella" brand as a leading footwear manufacturer and retailer of women's fashion footwear and related accessories in China.

We intend to leverage the broad customer acceptance of our products and industry recognition by building our corporate name "Stella" and related brand names to reinforce our reputation as the leading footwear company. For our original design manufacturing business, we intend to continue to enhance our corporate brand "Stella" as being associated with high-quality, value-added footwear manufacturing.

We seek to position our Stella Luna brand of women's fashion footwear in the medium to medium-high end segment, to take advantage of the significant market opportunities in China. China's rapid economic growth in recent years has produced a large and growing number of middle and upper-middle class consumers who are increasingly adopting lifestyle and fashion trends similar to those seen in the more developed economies of Europe, North America and other parts of Asia. We believe that this should lead to increased per capita spending on fashion items and accessories, including for casual and fashion footwear. With our expertise in high-quality footwear development and manufacturing, we believe that we are well-positioned to take advantage of this market opportunity.

We plan to market and sell women's fashion footwear targeted at mid-market consumers, which we believe is currently underserved by the market. Major PRC domestic brands have been more focused on selling mass market footwear at retail prices that range between RMB200 and RMB600 per pair, while major international fashion brands have been more focused on selling high-fashion footwear at retail prices that range between RMB2,000 and RMB5,000 per pair. We believe that the price gap between these segments presents a significant market opportunity, and seek to offer footwear at retail prices between RMB700 and RMB2,000 per pair.

In March 2006, we established our first flagship store in Shanghai which already generated positive cash flow for the year ended December 31, 2006. As of the Latest Practicable Date, we have 37 retail stores in China, including a Stella Luna boutique store in a Shanghai shopping mall and concessionary shops in department stores in 21 major cities. We plan to continue to roll-out more retail stores in both existing and additional cities and expect to open another 25 retail stores in 2007.

Outside of China, we opened two retail stores in Bangkok, Thailand and one retail store in Phuket, Thailand and plan to open one retail store in Macau and two retail stores in Taiwan in 2007. We may continue to expand beyond China if attractive opportunities arise.

Before entering into the retail footwear business, we considered carefully the potential impact on our existing business. While it is possible that competition between our own brand products and those of our existing customers will impact our business, our current range of Stella Luna footwear products is positioned to appeal to middle to upper class consumers, which is a different segment of the market from our existing core customer base. Therefore, we believe that any harm to our existing business, if any, will not be material. Please refer to the section headed "Risk Factors – Risks Relating to Our Company and Our Business – Our retail business may adversely impact our relationships with existing customers" in this prospectus.

Optimize manufacturing capacity by focusing on higher margin, value-added manufacturing.

Where we believe it is efficient to do so, we will continue to shift the production of footwear with lower average selling prices to manufacturing facilities in Vietnam pursuant to our contractual arrangements, and to occasionally outsource a portion of such production to high-quality third-party independent manufacturers. We have taken these steps with a view to dedicating a greater portion of the manufacturing capacity of our own facilities in China to design, develop and manufacture footwear on which we can earn higher margins. We will also continue to evaluate the addition of new manufacturing facilities pursuant to processing or contractual arrangements in the region, including in the Indian subcontinent and Southeast Asia, to service the increasing demand from our customers, and to take advantage of the lower costs of production, beneficial tariff and duties policies and availability of skilled labor.

Further strengthen manufacturing capacity by enhancing operational efficiency.

We seek to further strengthen our manufacturing capacity by enhancing our operational efficiency. We have initiated a "continuous improvement program" and have engaged independent consulting firms specialized in improving operating efficiency to help us evaluate manufacturing performance, identify production bottlenecks, and design and implement programs to improve our operating efficiency. The "continuous improvement program" seeks to improve our quality, efficiency and cost competitiveness. Our project team collaborates with the independent consulting firms to periodically analyze data, including our production efficiency, our cost and our inventory, and draws up a plan for improving our performance. The plan includes educating and training managers and workers and standardizing and streamlining our operations. For example, for the Dalingshan-1 Plant, our aim was to shorten the production cycle from 24 days in 2003, 21 days in 2004 and 19 days in 2005 to 16 days in 2006 and to reduce the inventory of uppers, one of the major components of the footwear we manufacture, from 200,000 in 2003, 150,000 in 2004 and 90,000 in 2005 to 50,000 in 2006. We plan to continue these efforts and continue to introduce modern management skills. In addition, we seek to expand our manufacturing capacity at our existing manufacturing facilities by increasing the number of daily production shifts and adjusting the number and the size of our production lines to adapt to our customers' demand.

PRINCIPAL PRODUCTS

We categorize our principal products into men's footwear and women's footwear. In 2006, our total sales volume was approximately 43.4 million pairs of footwear, of which men's footwear and women's footwear represented 39.4% and 60.6%, respectively. In the same period, revenue generated from sales of men's footwear and women's footwear accounted for 44.9% and 54.8%, respectively, of our total revenue. Women's footwear typically has a shorter product life cycle in the consumer markets which results in a shorter lead time requirement from our customers, while men's footwear typically requires a relatively higher percentage of costs for raw materials.

Given the different footwear segments in which our customers operate, we further categorize our men's footwear into men's casual and men's fashion footwear, and categorize our women's footwear into women's casual, women's fashion and women's private label footwear. We also sell Stella Luna women's fashion footwear and other leather goods, as well as Guess women's fashion footwear, through our retail operations. The following table sets forth, for each of the three years ended December 31, 2006, the sales volumes, revenue and percentage of revenue attributed to each category of our principal products.

	For the Year Ended December 31, 2004				For the Year Ended December 31, 2005				For the Year Ended December 31, 2006			
	Sales Volume	Revenue	Average Sales Price	Percentage of Total Revenue	Sales Volume	Revenue	Average Sales Price	Percentage of Total Revenue	Sales Volume	Revenue	Average Sales Price	Percentage of Total Revenue
	(in million pairs)	(in millions)			(in million pairs)	(in millions)			(in million pairs)	(in millions)		
Men's Casual	12.1	US$220.2	US$18.2	38.3%	12.8	US$249.0	US$19.5	37.2%	13.3	US$262.9	US$19.8	33.7%
Men's Fashion	2.4	47.6	19.8	8.3	2.9	63.4	21.9	9.4	3.8	84.5	22.2	10.8
Men's Other .	—	6.0	—	1.1	—	1.8	—	0.3	—	2.8	—	0.4
Women's Casual	10.5	161.2	15.4	28.0	12.1	205.5	17.0	30.7	14.8	250.8	16.9	32.2
Women's Fashion	7.4	106.3	14.4	18.4	7.0	120.3	17.2	18.0	7.6	136.5	18.0	17.5
Women's Private Label .	3.4	30.0	8.8	5.2	2.9	26.5	9.1	4.0	3.8	35.5	9.3	4.6
Women's Other .	—	4.1	—	0.7	—	2.4	—	0.4	—	3.7	—	0.5
Retail . . .	—	—	—	—	—	—	—	—	*	2.6	—	0.3
Total	35.8	US$575.4		100.0%	37.8	US$668.9		100.0%	43.4	US$779.3		100.0%

* less than 0.5 million.
(1) Includes revenue from the sale of samples, discounts and foreign exchange adjustments.
(2) Sales volume refers to footwear only, while revenue data includes those from the sale of non-footwear products.
(3) Average sales price equals revenue divided by sales volume.

Casual Footwear

We develop and manufacture casual footwear. During the last decade, the market for casual footwear has grown significantly and expanded into the traditional markets of fashion and athletic footwear, as consumers increasingly purchase new categories of casual footwear designed for a broad array of activities. We believe that this growth is a result of the trend toward casual dress in the workplace, increasingly active outdoor lifestyles and a growing emphasis on comfort. Please refer to the section headed "Industry Overview – Industry Trends – Growth of Casual and Affordable Fashion Footwear" in this prospectus. In anticipation of this trend, we actively interact with our major customers to design, develop and manufacture new product lines in casual footwear that combine comfort, fashion and athletic functions. We develop and manufacture casual footwear for six of the top ten casual footwear companies in the world in terms of revenue in 2005, namely Clarks, Deckers, ECCO, Rockport, Timberland and Wolverine. Our revenue generated from sales of casual footwear in 2004, 2005 and 2006 was US$381.4 million, US$454.5 million and US$513.7 million, respectively, representing a compound annual growth rate of 16.1% from 2004 to 2006.

Fashion Footwear

We develop and manufacture fashion footwear, including high-fashion footwear. Fashion footwear customers typically place orders for small volume purchases with individual designs and product specifications and typically command higher average selling prices compared to casual footwear. As quality, timeliness and well-realized design are essential to fashion footwear production, our fashion footwear customers typically require manufacturers to have experience and expertise in advanced product development and manufacturing capacity for high-quality manufacturing. Fashion footwear primarily comprises two categories of products: traditional haute couture, or custom-fitted, fashion brands, and the new prêt-à-porter, or ready-to-wear, fashion brands. The ready-to-wear fashion footwear is typically more affordable than the custom-fitted haute couture fashion footwear, which may be priced at US$5,000 or more in retail stores. The market for ready-to-wear footwear has grown significantly and expanded into the high-end casual footwear market in recent years. Please refer to the section headed "Industry Overview – Industry Trend – Growth of Casual and Affordable Fashion Footwear" in this prospectus. We have a broad customer base in the ready-to-wear category of fashion footwear. Our revenue generated from sales of fashion footwear in 2004, 2005 and 2006 was US$153.9 million, US$183.7 million and US$221.0 million, respectively, representing a compound annual growth rate of 19.9% from 2004 to 2006.

Private Label

We provide one-stop solutions, including design, development and manufacture of footwear, to large retailers, whose footwear products are generally referred to in the market as private label footwear. Our private label customers, such as J.C. Penney, have all been our customers since the early stages of our establishment. To maximize the efficient use of our manufacturing capacity, we focus our resources on the design and development of private label footwear instead of on manufacturing. In 2004, we began to outsource the manufacturing of our private label footwear products to quality third-party manufacturers. Our revenue generated from sales of private label footwear in 2004, 2005 and 2006 was US$30.0 million, US$26.5 million and US$35.5 million, respectively, representing a compound annual growth rate of 8.8% from 2004 to 2006.

Retail

In February 2006, we launched Stella Luna, our retail chain selling women's fashion footwear targeted at prices ranging between RMB700 and RMB2,000 per pair, in addition to handbags and other accessories. We sell primarily Stella Luna women's fashion footwear, which are designed, developed and manufactured by ourselves, and other Stella Luna leather goods, such as handbags, for which we primarily focus on product design. We also sell Guess women's fashion footwear in our Stella Luna stores pursuant to a distribution agreement with Marc Fisher LLC, the exclusive licensee of Guess footwear. The agreement allows us to sell the Guess footwear only in our retail stores in China and expires on February 28, 2011. We pay Marc Fisher LLC a sales commission and agree to promote the Guess footwear. The Guess women's fashion footwear that we sell is classified under the retail segment in our financial statements. As of the Latest Practicable Date, we own and operate 37 retail stores in three formats, including the Stella Luna flagship store we opened on Huaihai Road in Shanghai in March 2006, boutique stores in Raffles City and Grand Gateway, and concessionary stores in department stores such as Isetan, Mitsukoshi, Pacific Sogo and Parkson, in 21 major cities in China, including Beijing, Shanghai, Shenzhen and Tianjin. Outside of China, we opened two retail stores in Bangkok, Thailand and one retail store in Phuket, Thailand in 2007. We plan to continue rolling out more stores or shops in both existing and additional cities and expect to open 25 additional retail stores in 2007. We plan to open one retail store in Macau and two retail stores in Taiwan in 2007. We use advertisements and promotional booklets to promote the Stella Luna brand. Our avant garde and fashionable designs have earned us numerous advertising awards, including the 2006 Longxi Advertising award – excellence award and the 2006 Longxi outdoor advertising award – silver prize.

The map below shows as of the Latest Practicable Date the number of Stella Luna's retail stores in each of the locations in Asia where we have such stores.

DESIGN AND DEVELOPMENT

The chart below sets forth a prototypical design and development cycle for our products.

Design and Development Cycle

Design brief → Model last → Footwear prototype → Shoe show collection → Sales sample → Shoe show

Designs for footwear are typically initiated and provided to us by our customers in a two-dimensional drawing. Before a design is put into production, a three-dimensional sketch based on the initial two-dimensional design is developed using computer-aided design techniques.

In the development process, the most important step is the creation of the model last, which demands great skills based on extensive experience. The model last is a carved wood or molded plastic replica of the human foot, which sets the contour of the arch and how evenly the wearer's weight will be distributed throughout the foot, both of which determine the comfort of the footwear. A unique model last is required for each footwear design.

Our product development team then selects the correct materials and sole units for the footwear and specifies the technical manufacturing processes to ensure that the product is functional as well as fashionable. After exchanging ideas and working closely with our customer, a prototype is developed and refined for testing of its strength, durability, flexibility, comfort and special features. In 2006, 2005 and 2004, we developed more than 100,000, 72,000 and 27,000 prototypes, respectively, in our production. Our research and development costs consist primarily of the costs involved in developing prototypes. We are typically able to develop a prototype within a week, and in some cases within three days, after receiving a customer's design. Approximately one-fifth of the prototypes we develop are accepted by customers and result in purchase orders.

We subsequently prepare fit samples and a small quantity of shoe show collection samples for our customers to present in their shoe shows. Our customers use shoe shows to anticipate trends in the footwear market and gauge footwear retailer's demand. Based on customers' feedback, we then prepare sales samples for them to solicit purchase orders from footwear retailers. The shoe shows are typically held every spring/summer and fall/winter season in New York and Los Angeles in the US and in Paris and Milan in Europe. In contrast, our private label customers typically place purchase orders with us after we have developed and delivered prototypes to them.

The whole development process typically is completed within four to five months for men's footwear and two to three months for women's footwear. We generally bear all the costs relating to product design and development. We have over 300 design and development teams consisting of over 3,100 technicians who, on average, have over seven years of experience in the field, including experts from Italy and Brazil.

We do not typically file a patent for any design we produce for private label footware for several well-known large chain-store retailers. We believe that the costs of filing such patents outweigh any benefits that might be obtained from the filing because we do not use any of our designs for more than one customer and because fashions change from season to season so the designs cannot be used for a second season.

MANUFACTURING PROCESSES

Production of footwear, particularly casual and fashion footwear, is a highly customized process. It requires over 30 to 40 separate components and materials to be assembled by hand, and over 30 steps, including the cutting of materials, stitching and lasting, to complete the production process.

The model last is replicated to generate additional lasts (typically between 100 and 250 lasts, depending on the shoe) that are to be used in mass production. The replication process is highly automated and can be performed by a number of independent third-party last-making manufacturers. We typically outsource the replication process to these unaffiliated manufacturers. In June 2005, we began to outsource some of the last replication to Sabina, an associate company of Mr. Jimmy Chen, that produces lasts for us. In 2006, Sabina provided 40% of our total last supply. Based on the replicated lasts, we cut, thin, trim, soften and hem leather into desired patterns, then treat, dye and stitch them to form the basic shape of uppers. The entire manufacturing process, particularly the stitching step, is a highly labor-intensive process.

We make sole units from inner soles, mid-soles and outsoles by mixing, heating, stirring, pressing and cooling the sole materials to form large rectangular sheets of varying thickness. We cut sheets of this material into the rough shapes of soles, attach accessories, and then grind the soles, shape them in molds and trim them to generate the final shapes. It generally takes additional steps and more sophisticated craftsmanship to manufacture sole units for fashion footwear than for casual footwear.

Finally, we assemble uppers and sole units into finished footwear and stitch, insert or attach various accessories, such as shoelaces or special design patterns, and polish and package the finished footwear. The footwear is then ready for shipping.

MANUFACTURING FACILITIES

We operate a total of four manufacturing facilities in China, with three in Dongguan and one in Longchuan, both in Guangdong Province, China. We also manufacture finished footwear at four other facilities pursuant to processing agreements with local entities in Dongguan and two other facilities in Vietnam pursuant to contractual arrangements. Each manufacturing facility manufactures either men's footwear or women's footwear for a cluster of customers, and houses multiple production lines that are classified as men's casual footwear, men's fashion footwear, women's casual footwear and women's fashion footwear. We believe such classification creates a more streamlined, efficient manufacturing process.

In recent years, our customers, in particular fashion footwear customers, have tended to place increased numbers of purchase orders of smaller volume design. In response to such change, in 2006, we increased the number of small/medium production lines from 27 to 44, and decreased the number of large production lines from 60 to 59. In general, small/medium production lines manufacture approximately 25,000 pairs of footwear per month while large production lines manufacture approximately 50,000 pairs of footwear per month. We believe that having more production lines of smaller volume improves our manufacturing flexibility and efficiency to better serve our customers, especially those who place orders of small volume.

The following table sets forth our estimated annual manufacturing capacity for our manufacturing facilities in China and those used pursuant to processing agreements in China and contractual arrangements in Vietnam for the Track Record Period:

	As of December 31,		
	2004	2005	2006
	(in million pairs)		
Manufacturing Facilities Owned and Operated by Us	9.8	12.5	18.0
Manufacturing Facilities Used Pursuant to Processing Agreement	19.4	20.8	20.5
Manufacturing Facilities Used Pursuant to Contractual Arrangements	5.8	5.8	6.5

We are operating at close to full capacity in most of our existing manufacturing facilities.

The following table sets forth certain information relating to our manufacturing facilities in China and those used pursuant to processing agreements in China and contractual arrangements in Vietnam as of December 31, 2006.

Location	Estimated Annual Manufacturing Capacity[1] (in million pairs)	Floor Space (in thousand square meters)	Number of Production Lines	Number of Development Teams	Principal Products	Year Operations Commenced
Manufacturing Facilities Owned and Operated by Us						
Dalingshan-2 Plant Daling Village, Dalingshan County, Dongguan, Guangdong	7.7	71.3	15	49	• women's casual • women's fashion	2004
Dalingshan-3 Plant Daling Village, Dalingshan County, Dongguan, Guangdong	4.8	42.6	9	52	• women's casual • women's fashion	2004
Dalingshan-4 Plant Daling Village, Dalingshan County, Dongguan, Guangdong	2.0	19.3	4	21	• men's casual • men's fashion	2006
Longchuan Plant Section 5 of Economy and Technology Development Area, Longchuan County, Heyuan, Guangdong	3.5	15.6	8	—	• men's casual	2000
Manufacturing Facilities Used Pursuant to Processing Agreements						
Changan-1 Plant Xiaobian Village, Chang'an County, Dongguan, Guangdong	3.5	12.4	7	46	• men's casual	1991
Changan-2 Plant Xiaobian Village, Chang'an County, Dongguan, Guangdong	5.5	39.5	13	42	• men's casual	1995
Changan-3 Plant Xiaobian Village, Chang'an County, Dongguan, Guangdong	5.5	37.0	13	53	• men's casual • men's fashion	1998
Dalingshan-1 Plant Daling Village, Dalingshan County, Dongguan, Guangdong	6.0	45.3	20	62	• women's fashion	1999
Manufacturing Facilities Used Pursuant to Contractual Arrangements						
Vietnam-1 Plant and Vietnam-2 Plant Vietnam -1 Plant Truong Son Village An Lao District Hai Phong City Vietnam-2 Plant Yen Thanh Ward Uong Bi Town Quang Ninh Province	6.5	68.8	14	—	• men's casual • men's fashion	1998

(1) Our estimate is based on the expected labor efficiency and skillfulness of our workers, design capacities of different machinery and equipment specified by their manufacturers, estimates of yield rates for different machinery and equipment, estimates of how long the equipment may be operated without interruption, our existing product mix and other factors. Actual capacity may differ from estimated manufacturing capacity based on the above-mentioned factors.

Manufacturing Facilities Used Pursuant to Processing Agreements

We manufacture a portion of our footwear in China pursuant to processing agreements with certain local enterprises. The locations of the processing plants in the PRC enable us to access relatively low labor costs and rent in the PRC, while maintaining close proximity to our headquarters in Dongguan, Guangdong Province. Our selection criteria for processing plants in the PRC include the quality standards of their products and their response time to our product orders. With respect to the Changan-1 Plant, the Changan-2 Plant and the Changan-3 Plant, we have entered into processing agreements with collective local enterprises, where such plants are located, namely 東莞市長安鎮對外引進公司 and 東莞長安霄邊興昂鞋廠 for the Changan-1 Plant, and 東莞市對外加工裝配服務公司 and 東莞市長安鎮對外引進公司 for the Changan-2 Plant and the Changan-3 Plant. With respect to our Dalingshan-1 Plant, we have entered into a similar processing agreement with a collective local enterprise where such plant is located, namely 東莞市對外加工裝配服務公司 and 東莞市大嶺山對外經濟發展總公司. These local enterprises are independent third parties and are referred to herein as “Dongguan Local Entities”. Our PRC legal advisers advised that that each of the processing agreements are legal, binding, valid and enforceable, and have been duly registered with the relevant authorities. Under the processing agreements, the primary responsibilities of us and the Dongguan Local Entities are set forth below.

Our responsibilities are to:

- provide the equipment for the operation of the manufacturing facility;
- provide raw materials, ancillary materials and packing materials for the processing agreements;
- dispatch technical staff to help install the equipment and provide technical instructions;
- pay processing charges to the Dongguan Local Entities;
- purchase fire insurance for the equipment, products in process and completed products and raw materials, ancillary materials and packing materials in the plants and all risks insurance for transportation of the raw materials, ancillary materials, packing materials and completed products; and
- inspect the finished footwear.

The responsibilities of the Dongguan Local Entities are to:

- provide the land and buildings for the processing operation;
- employ the production staff at the manufacturing facilities; and
- provide electric power.

Under each of the processing agreements, the responsibility to provide the land and buildings for the processing operations lies with the respective Dongguan Local Entities. For the Changan-1 Plant, we acquired the land use rights in October 2005, and have agreed with the relevant Dongguan Local Entity and the Changan-1 Plant that we will also allow them to use the land. In relation to the Dalingshan-1 Plant, Sanford International holds the land use rights to the site, and has agreed to allow the relevant Dongguan Local Entity and the Dalingshan-1 Plant to use the land at no consideration, although no written agreement has been made between Sanford International and the relevant Dongguan Local Entity. In relation to this arrangement, Sanford International and its ultimate shareholders Mr. Jimmy Chen and Mr. Lawrence Chen have irrevocably undertaken to the Company that they will continue to allow the Dalingshan-1 Plant to use the land and may only terminate the arrangement with the consent of the Company, which must be approved by a resolution of the board of directors of the Company endorsed by the majority of the Company’s independent non-executive Directors. Further, we also paid for the cost of construction of the Changan-2 Plant, the Changan-3 Plant and the Dalingshan-1 Plant.

We pay processing charges to the Dongguan Local Entities based on the number of workers employed. For the years ended December 31, 2006, 2005 and 2004, we paid the Dongguan Local Entities total processing fees of approximately US$82.7 million, US$74.8 million and US$94.1 million, respectively. We have agreed with the respective parties with whom we entered into a processing agreement for the Changan-1 Plant, the Changan-2 Plant and the Changan-3 Plant, and the Dalingshan-1 Plant, that we will reimburse the entire amount of the taxes paid by each of them. During the Track Record Period, such reimbursements were made by us to the Dongguan Local Entities in connection with the processing arrangements. We will continue reimbursing for such tax expenses after the Listing on a monthly basis.

The current processing agreement with respect to the Changan-2 Plant and the Changan-3 Plant will expire in April 2008. The agreement with respect to the Dalingshan-1 Plant will expire in July 2009. The agreement with respect to the Changan-1 Plant will expire in January 2012. If the parties choose to renew the processing agreements, they can negotiate and agree on the renewal six months prior to the expiration of the processing agreements. It is the current intention of our Directors that we will renew the processing agreements when they expire. However, there can be no assurance that we will be able to renew the processing agreements on terms acceptable to us, or at all. Please refer to the section headed "Risk Factors — Risks Relating to Our Company and Our Business — We rely on manufacturing facilities that we do not own but use pursuant to processing and contractual arrangements. Any failure in or interruption of business at these manufacturing facilities will adversely affect our results of operations". If any of these processing agreements are not renewed, our plan is, in the short term, to outsource the production to unaffiliated third party manufacturers. In the longer term, we could consider various alternatives, including outsourcing such production to third party manufacturers, acquiring our own capacity to perform such manufacturing, entering into similar processing agreements with other local enterprises or establishing wholly foreign-owned enterprises in China to undertake such manufacturing arrangements. Insofar as the Directors are aware, there are a number of third parties in Guangdong Province who offer processing arrangements and services. In 2004, we moved a part of our operations from the Changan-1 Plant to the Dalingshan-2 Plant, the Dalingshan-3 Plant and the Dalingshan-4 Plant and incurred approximately RMB3 million as relocation cost and expenses, and it took us a few months to complete the transfer of our equipment and machinery to other processing plants.

Our employees supervise the plants to control the quality under these processing agreements. We have not experienced any significant problems with respect to these processing agreements.

Manufacturing Facilities Used Pursuant to Contractual Arrangements

The two Vietnam plants, which are located at Truong Son Village, An Lao District, Hai Phong City and Yen Thanh Ward, Uong Bi Town, Quang Ninh Province, are operated by a local entity, Golden Star Co., Ltd, ("Golden Star"), an independent third party, with which we have entered into a manufacturing agreement. The agreement between us and the local entity is dated June 16, 2007 (the "2007 Contract") and provides for the manufacture by the local entity of footwear for us on an exclusive basis for a period of 25 years commencing from May 18, 1998. Prior to this agreement, we and Golden Star's predecessor 越南海防市頂好有限公司 entered into a manufacturing contract in 1998 (the "1998 Contract"). As Golden Star was not formally a party to this contract, we, 越南海防市頂好有限公司 and Golden Star entered into the 2007 Contract which also terminated the 1998 Contract. Notwithstanding that Golden Star was not a party to the 1998 Contract, Golden Star has performed the obligations of 越南海防市頂好有限公司 under the 1998 Contract. The 2007 Contract is expressed to have retrospective effect from May 18, 1998 up to and including May 17, 2023. The main reasons for our entering into the contractual arrangements in Vietnam are to take advantage of the beneficial tariff and duties policies, low labor costs and a motivated, literate work force. While we do not control the local entity, our contractual arrangement allows us to exercise a high degree of influence over its operations. We have permanent staff stationed at each of the Vietnam plants who monitor the management and operations at the respective plants. We extended loans in an aggregate amount of US$0.5 million (which have been fully repaid) to such local entity to acquire the land where such plants are located and, in return, we would have certain rights with respect to their operations and the exclusive right to all their production. The owner of these Vietnam plants is responsible for employing and managing workers at the facility, ensuring that the plants' operation comply with local laws and regulations, including tax and labor-related matters and pension and other benefits. We supply the Vietnam plants with designated patterns and models, equipment and technicians who train and supervise production and implement quality control systems. We are also responsible for providing the raw materials, which are purchased from us by the local entities. We derived rental income from the equipment leased to the Vietnam plants. We then pay the Vietnam plants for each pair of footwear manufactured for us. For the years ended December 31, 2006, 2005 and 2004, we paid the local entity approximately US$81.5 million, US$75.7 million and US$85.9 million respectively, for the purchase of the footwear manufactured for us.

Our Vietnam legal advisers have advised that that the 2007 Contract is legal, binding, valid and enforceable.

THIRD-PARTY OUTSOURCING AND SUBCONTRACTING

We outsource the production of some of our private label footwear and occasionally subcontract certain components and tooling of casual and fashion footwear, such as less complex patterns on uppers that require extensive manual stitching, to a large number of unaffiliated third-party manufacturers in China. We rigorously select our third-party manufacturers based on the quality of their work and provide continuous on-site supervision at their plants. Prior consent from private label owners is required for us to outsource production. We do not enter into long-term agreements with third-party manufacturers but instead maintain flexibility by working with them based on individual orders. We pay the third-party manufacturers a fee based on the number of workers involved in the production and the quantity of shoes produced and specify the materials to be used. If we do not supply them with the materials, we will inform them of the names of the suppliers we use to obtain such materials. We outsourced to more than 37 subcontractors during the Track Record Period. If the existing manufacturers to whom we outsource are unable to allocate the requested manufacturing capacity to us, our plan is to outsource to other third-party manufacturers. However, we cannot assure you that we will be able to secure sufficient manufacturing capacity or secure such capacity at reasonable cost. Please refer to the section headed "Risk Factors – Risks Relating to Our Company and Our Business – We depend on third-party manufacturers to manufacture certain casual and fashion footwear components and private label footwear products for us" in this prospectus. Private label footwear is typically produced in larger batches and commands lower average selling prices. We believe that outsourcing such production of private label footwear enables us to better utilize our capacity to manufacture footwear with higher average selling prices. The number of shoes produced by third parties under outsourcing arrangements for 2006, 2005 and 2004 was 1.5 million pairs, 0.7 million pairs and 0.1 million pairs, respectively. The costs incurred by us to third parties under outsourcing arrangements for 2006, 2005 and 2004 was US$12.1 million, US$0.4 million and US$0.1 million, respectively.

RAW MATERIALS AND SUPPLY CHAIN MANAGEMENT

Raw Materials and Components

The raw materials required for footwear manufacturing are primarily leather, sole materials and other materials.

We are not party to any long-term raw material supply agreement.

Leather

Leather is hide or skin that retains its original fibrous structure but has been treated so that it will not decompose even after absorbing water. Leather is a material from which uppers are made. Leather represents a little more than half of the cost of our total materials.

Sole Materials

Ethylene vinyl acetate, or EVA, polyurethane, or PU, and rubber are materials from which soles are made. Rubber is a material with high elasticity and recovery force. EVA and PU are both petrochemical materials that are used in footwear for their light and shock-absorbing characteristics.

Other Materials

Other materials used in our footwear manufacturing process include fabrics, chemicals, and various packaging materials.

We purchase certain raw materials and components from our connected parties. Please refer to the section headed "Connected Transactions – Details of Continuing Connected Transactions" in this prospectus.

Supply Chain Management

We procure raw materials and components via a centralized procurement team in Stella. We maintain a dual sourcing policy to ensure cost efficiency, quality and a stable supply of raw materials. Under our dual sourcing policy, we typically ensure there to be two sources for each material. We generally do not enter into long-term supply agreements and typically procure the raw materials that we require through purchase orders covering our requirements for short periods. All of the raw materials for footwear manufacturing are commodities and can be sourced from the open market. We typically place orders for footwear materials concurrently with receipt of firm purchase orders from our customers for which such footwear materials are to be utilized. We also occasionally place orders for some of the footwear materials in anticipation of firm purchase orders from our customers based on historical estimates. We believe the risk of obsolescence for the pre-purchased inventories is outweighed by the benefits of purchasing the raw materials at the low price point in the off-season.

We procured 11.3% of our raw materials from our top five suppliers and 3.0% from our top supplier in 2006, in terms of costs of sales. We primarily focus on three criteria in selecting suppliers: quality, lead time and price. Prior to accepting ordered raw materials, we perform strict examination of the quality of such materials. We plan to improve our supply chain management by further consolidating our quality suppliers to achieve scale and efficiency. We intend to ally ourselves with our customers to enhance our bargaining power in negotiating price and other terms with our suppliers. Pursuant to the credit terms of the supply agreements, we pay our suppliers 55 days, on average, after delivery.

SALES AND MARKETING

We received orders from over 30 brand customers in 2006. We market our products primarily through referrals by our existing customers and word-of-mouth, and do not maintain a separate sales and marketing department.

Geographic Segments

In each of 2004, 2005 and 2006, a significant portion of our revenue was derived from sales to customers with shipment destinations in North America and Europe. The following table sets forth, for the periods indicated, the percentage breakdown of our consolidated revenue, categorized by geographical regions to which our products were delivered.

	For the Year Ended December 31,					
	2004		2005		2006	
	Revenue	Percentage of Revenue	Revenue	Percentage of Revenue	Revenue	Percentage of Revenue
	(in millions, except percentages)					
North America	US$394.2	68.5%	US$447.9	67.0%	US$485.5	62.3%
Europe	130.1	22.6	168.8	25.2	221.2	28.4
Asia, other than the PRC	16.5	2.9	19.9	3.0	25.7	3.3
The PRC, including Hong Kong	10.8	1.9	14.4	2.2	22.9	2.9
Other	23.8	4.1	17.9	2.6	24.0	3.1
Total	US$575.4	100.0%	US$668.9	100.0%	US$779.3	100.0%

Customers

As of December 31, 2006, we sold and distributed our casual and fashion footwear to over 30 customers which included over 39 footwear brands around the world. We develop and manufacture casual footwear for six of the top ten casual footwear companies in the world in terms of revenue in 2005, namely Clarks, Deckers, ECCO, Rockport, Timberland and Wolverine, and leading companies in fashion footwear, such as Cole Haan, Kenneth Cole and Nine West. We also develop and manufacture for high-fashion brands such as Celine, Christian Lacroix, Donna Karan New York, Emilio Pucci, Enzo Angiolini, Givenchy, Kenzo, Loewe, Marc by Marc Jacobs, Paul Smith, Sigerson Morrison and Via Spiga. In addition, we design, develop and manufacture private label footwear for several well-known large chain-store retailers, such as J.C. Penney. Our top five customers in 2006, in terms of revenue, were Clarks, Deckers, Rockport, Timberland and Wolverine. Revenue generated from sales to our top five customers, in aggregate, accounted for approximately 60.9%, 58.1% and 59.3% of our total revenue in 2004, 2005 and 2006, respectively. Each of the top three customers in 2004, 2005 and 2006 accounted for over 10% of the total revenue generated in the respective year. Revenue generated from sales to our single largest customer accounted for approximately 18.3%, 16.7% and 16.3% of our total revenue in 2004, 2005 and 2006, respectively.

We have maintained long-term, stable relationships with most of our key customers. Among our top ten customers in 2006, Brown Shoe, Nine West, Rockport and Timberland have been with us for over ten years, and Clarks, Deckers and Wolverine have been with us for over five years. We also attract new customers through referrals from existing customers and word-of-mouth. We believe that we are one of the major footwear suppliers for some of the leading casual footwear companies, including Clarks, Deckers and Timberland. None of our contracts with our customers require that our arrangements with them be on an exclusive basis.

We do not have any outstanding disputes with our existing customers. Our customers have not complained that we are competing with them.

We have complied with the guidelines imposed by our customers relating to safety, health and environmental conditions. Our customers are generally concerned with the number of working hours and with the use of child labor in the facilities in emerging markets to which they outsource production. We have acted to shorten the number of working hours in our facilities. In addition, we take steps to ensure that no child labor is used by requiring official proof of identification at the time of employing our workers, and we carry out random checks of the employment records of workers employed at the processing plants in the PRC and the manufacturing facilities in Vietnam.

Purchase, Payment and Other Arrangements

We develop and manufacture footwear for our customers based on their individual purchase orders and have not entered into any long-term supply agreements with them. The purchase orders generally specify the model, quantity, unit price, delivery time and warranty terms of the footwear. In addition to product specifications, many customers impose human health and safety requirements with which we have strictly complied. We typically deliver our products within 90 days for men's footwear and 45-60 days for women's footwear, respectively, after we receive the purchase order. Customer payments are primarily settled through open accounts and we have not experienced any material delays relating to such payments. Please refer to the section headed "Financial Information – Liquidity and Capital Resources – Inventories, Receivables and Payables – Receivables" in this prospectus.

Pricing

The unit price of footwear is generally fixed in the purchase order. We price our footwear on a cost-plus basis and do not bear the inventory risk of finished footwear product. The margin which we charge varies depending on factors such as the complexity of the product, the retail sales price of the product, the labor and technology involved in the design or production processes, the volume of the order and the relationship with the customer. In certain cases where the volume of the purchase order is particularly small, we may charge customers additional service fees.

COMPETITION

The casual and fashion footwear development and manufacturing industry is highly competitive. Other than footwear brand companies that have their own internal manufacturing capability, our competitors are primarily Asian-based footwear manufacturers, primarily other footwear manufacturers in China and Vietnam, given the low-cost labor. Our principal competitors are the larger footwear manufacturers in the region, including, for example, Yue Yuen Industrial (Holdings) Limited and Kingmaker Footwear Holdings Limited. We compete principally on reputation, product quality, product design and development skills, price, product range, delivery, customer service and distribution, with varying emphasis on these factors depending on the market, the customer and the product. Our results of operations could be adversely affected should we be unable to compete successfully in one or more of the foregoing areas. We believe that the principal barriers of entry for our industry include customer relationships, technical know-how, operational know-how, product development expertise and manufacturing capacity.

We believe that as an integrated service provider, we distinguish ourselves from our competitors in each phase of the footwear production process on the basis of customer relationships, technical know-how and capability, integrated service offerings, financial resources and sound management. In addition, we believe that we are among a limited number of footwear brand companies that have the capability of manufacturing both men's and women's footwear, which has enabled us to attract and broaden our customer base in the past.

While we believe we are well-positioned to capture the market opportunities, there can be no assurance that we will be competitive in these areas in the future. Please refer to the section headed "Risk Factors – Risks Relating to Our Company and Our Business – The casual and fashion footwear manufacturing industry is highly competitive" in this prospectus.

QUALITY CONTROL

We focus on the quality of our products and perform various quality inspection and testing procedures, including random sample testing at different stages in the manufacturing process. The quality control procedures are performed by both our employees and those of our customers. We also perform quality control procedures for components and raw materials procured. Such procedures include inspecting samples and large batches and receiving vendor testing reports.

In addition to these quality control procedures, customers generally inspect and monitor the production process through their on-site technical managers, chemical specialists and quality control personnel or, alternatively, through the on-site representatives of their sourcing agents. While such representatives from customers assist us in inspecting and monitoring our manufacturing facilities through interactive communication with us, we have independent quality control procedures for inspection and monitoring and attempt to identify defects at early stages of production. We are certified by the International Organization for Standardization and are ISO 9001 compliant. We are certified by the Shoe and Allied Trade Research Association with respect to the quality of our development laboratories, our footwear products and our raw materials. To date, we have not received any significant complaints about the quality of our products from customers or as to our non-compliance with the requirements imposed by them in connection with social, health and safety issues that would materially and adversely affect our business or relationship with such customers.

ENVIRONMENTAL MATTERS

We seek to conduct our business in a manner that does not adversely affect the environment. We have an environmental management policy covering all waste streams and production cycles. We place emphasis on pollution management and control procedures, including plant operation and maintenance procedures, in the training of our personnel. Solid wastes, which consist primarily of scraps from cutting and trimming of soles and uppers, are the primary wastes of the footwear manufacturing process. We segregate, measure and route the solid wastes and attempt to reduce, reuse or recycle such wastes where practicable. Gaseous discharge, such as volatile organic compounds, is also a major pollutant resulting from the footwear manufacturing process; it is collected by an extraction system, filtered and treated before being released into open air. Wastewater is treated through aerating and sedimenting processes before being discharged.

The production of our products is supervised at the national level in China by the PRC Environmental Protection Agency, and in Vietnam by the Vietnam Environment Protection Agency. Each of these government agencies has the power to take action against companies under its jurisdiction for failure to comply with applicable environmental regulations, including the imposition of fines and the revocation of licenses, although the scope of such regulations may not be analogous to, or as extensive as, the regulations that would apply to companies engaged in footwear manufacturing in the United States or certain other countries. We expect that the trend in these jurisdictions toward stricter environmental standards and stricter enforcement of existing regulations will continue.

The principal environmental laws to which our operations in China are subject are:

- 中華人民共和國環境保護法 (Environmental Protection Law of the People's Republic of China),
- 中華人民共和國環境影響評價法 (Law of the People's Republic of China on Appraising of Environment Impacts),
- 建設項目環境保護管理條例 (Regulations on the Administration of Construction Project Environmental Protection),
- 中華人民共和國固體廢物污染環境防治法 (Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes),
- 中華人民共和國大氣污染防治法 (Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution),
- 中華人民共和國環境噪聲污染防治法 (Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise),
- 中華人民共和國水污染防治法 (Law of the People's Republic of China on Prevention and Control of Water Pollution), and
- 中華人民共和國水污染防治法實施細則 (Detailed Rules for the Implementation of the Law of the People's Republic of China on the Prevention and Control of Water Pollution).

The principal environmental laws to which our operations in Vietnam are subject are:

- Law on Environmental Protection of 2005,
- Law on Land of 2003,
- Law on Natural Resource of Water of 1998,
- Decree 179/1999/ND-CP dated 30/12/1999 providing implementation of the Law on Natural Resource of Water of 1998,
- Decree 181/2004/ND-CP dated 29/10/2004 on the implementation of Law on Land,
- Decree 34/2005/ND-CP dated 17/03/2005 dealing with administrative breaches in the field of natural resource of water,
- Decree 65/2006/ND-CP dated 23/06/2006 on the organization and operations of Inspection of Natural Resources and Environment,
- Decree 80/2006/ND-CP dated 09/08/2006 providing in detail and guiding the implementation of Law on Environmental Protection,
- Decree 81/2006/ND-CP dated 09/08/2006 dealing with administrative breach in the field of environmental protection,
- Decree 04/2007/ND-CP dated 08/01/2007 on amendment of and supplement to some articles of Decree 67/2003/ND-CP dated 13/06/2003 on fees of environmental protection for sewage water,
- Interministerial Circular 125/2003/TTLT-BTC-BTNMT dated 18/12/2003 of Ministry of Finance – Ministry of Natural Resources and Environment guiding the implementation of Decree 67/2003/ND-CP dated 13/06/2003 on fees for environmental protection for sewage water,
- Circular 05/2005/TT-BTNMT dated 22/07/2005 of Ministry of Natural Resource and Environment providing the implementation of Decree 34/2005/ND-CP,
- Circular 12/2006/TT-BTNMT dated 26/12/2006 of Ministry of Natural Resources and Environment giving guidelines on conditions for professional execution and procedures relating to filing, registration, grant of license for professional execution and code for management of hazardous waste,
- Circular 02/2005/TT-BTNMT dated 24/06/2005 of Ministry of Natural Resources and Environment providing the implementation of Decree 149/2004/ND-CP, and
- Circular 08/2006/TT- BTNMT of the Ministry of Natural Resources and Environment dated 8 September 2006 providing guidelines for Strategic Environmental Assessment, Environmental Impact Assessment and Environmental Protection Undertakings.

We have complied with the applicable PRC and Vietnamese laws and regulations on environmental protection in all material respects and were not in breach of such laws and regulations during the Track Record Period. As of the Latest Practicable Date, we had not been subject to any material fines or legal action involving non-compliance with any relevant environmental regulations in the PRC or Vietnam. We are not currently aware of any threatened or pending action by any environmental regulatory authority in the PRC or Vietnam.

LEGAL PROCEEDINGS

From time to time, we may be involved in litigation or other legal proceedings in the ordinary course of our business. We are not aware of any material legal or administrative proceedings currently existing or pending against us. We are not involved in any intellectual property rights dispute or claims in relation to footwear design/development and manufacturing.

PREMISES, LAND USE RIGHTS AND PROPERTY INTERESTS

Land and Buildings Owned by the Group

We currently have the land use rights for three parcels of land in China, with a total area of 297,406.97 square meters. We use this land for the principal purpose of conducting our business. This includes the land use right for the land where the Changan-1 Plant, which we do not operate, but which we use to manufacture our products pursuant to processing agreements, is located. Please refer to Appendix IV "Property Valuation" to this prospectus for further details regarding the land that we own and the terms of the leases.

We currently own 73 buildings or units in China, with a total gross floor space of approximately 353,000 square meters. Out of these buildings or units, approximately 63.0% of the gross floor space is used as primary business premises, including as manufacturing facilities, offices and electricity transformation facilities (the "Business Premises"), while the remaining 37.0% of gross floor space is used for other purposes, including as staff quarters, guardhouses, canteens, garages and store rooms (the "Ancillary Premises"). We are using the premises for such purposes as stated in the respective land use rights certificate. Please refer to Appendix IV "Property Valuation" to this prospectus for further details regarding the buildings or units that we occupy.

We lack formal title certificates to certain buildings that we occupy for our business. We also lack the formal title certificates for those buildings that comprise the Changan-1 Plant, which we do not operate, but which we use to manufacture our products pursuant to processing agreements. Please refer to the section headed "Risk Factors – Risks Relating to Our Company and Our Business – Title defects affecting some of the properties in China that we own or lease, or that are the subject of our processing agreements, including properties where our products are manufactured, could adversely affect our ownership and use of such properties" in this prospectus for a discussion of the risks relating to some of these title defects. Our PRC legal advisers advised that, under PRC law, the party holding valid land use rights certificates will be entitled to apply for building title certificates for any buildings it constructed on such lands in accordance with applicable laws and regulations and an application for building title certificate shall be made within three months from the completion of the building construction. In this connection, our PRC legal advisers are of the view that the possible legal consequence for not having formal title certificates for the Business Premises and the Ancillary Premises is that the applicable registration fee for a late application of building title certificate is, as of the Latest Practicable Date, equivalent to three times the normal registration fee payable for such application. The fee normally payable on application for such title certificate is a nominal fixed fee. As the buildings are constructed on lands which we hold valid land use rights certificates, our Directors do not anticipate there will be any material financial losses arising from the lack of formal building title certificates.

Other than for the Business Premises and certain Ancillary Premises of the Longchuan Plant, we do not have the relevant title certificates for the Business Premises and Ancillary Premises, respectively. We are taking necessary actions to obtain title certificates for these Business Premises and Ancillary Premises. We anticipate that the outstanding title certificates in respect of the substantial majority of the Business Premises of the Dalingshan-2 Plant, the Dalingshan-3 Plant and the Dalingshan-4 Plant will be obtained by end of July 2007 and these Business Premises contributed approximately 25.3% of the Group's total revenue for the year ended December 31, 2006 and our Directors believe the absence of building title certificate in respect of such premises will not result in any material adverse effect on our operations. The Ancillary Premises are not directly related to our operations. Therefore, no revenue or operational profits have been generated from the use of the Ancillary Premises and we believe that the lack of title certificates will not result in any material adverse effect to our operations as a whole. Accordingly, we consider them to be non-essential and, if required, comparable and suitable replacements can be acquired or leased by us without any material adverse effect on our business or operations as a whole.

Details of the property valuation together with the summary of valuation and valuation certificates from Sallmanns (Far East) Limited in respect of the land and buildings owned or leased by us are set forth in Appendix IV "Property Valuation" to this prospectus.

Land and Buildings Used by the Plants Pursuant to Processing Agreements and Contractual Arrangements

PRC Processing Plants

We currently have the land use rights to the land and also own the buildings of the Changan-1 Plant, which we do not operate but which we use to manufacture our products pursuant to the processing agreements. The land and buildings used in the production operation of the Changan-2 Plant, the Changan-3 Plant and the Dalingshan-1 Plant, which are subject to processing agreements, are not currently owned or leased by us and therefore we are not in possession of the relevant title certificates for such land and buildings and we do not have the authority or are in the position to remedy any defects relating to the land or the buildings. Accordingly, our PRC legal advisers have not opined on the legal status of such properties, other than the land on which the Dalingshan-1 Plant is situated nor are they able to confirm that the Dongguan Local Entities have the right to procure the uninterrupted use of such land and buildings. Consequently, no assurance can be given that the Changan-2 Plant or the Changan-3 Plant or the Dalingshan-1 Plant has the proper title to the land and buildings used in the processing operation. As of December 31, 2006, the aggregate carrying amount of the buildings situated on such land for which we do not have the title certificates is US$12.0 million. Our Directors believe that the loss of such buildings would not materially affect our balance sheet position if they are required to be demolished. Please refer to the section headed "– Manufacturing Facilities – Manufacturing Facilities Used Pursuant to Processing Agreements" in this prospectus for a discussion of the processing arrangement. Please also refer to the section headed "Risk Factors – Risks Relating to Our Company and Our Business – Title defects affecting some of the properties in China that we own or lease, or that are the subject of our processing agreements, including properties where our products are manufactured, could adversely affect our ownership and use of such properties" in this prospectus for a discussion of the risks relating to the possible title defects associated with such land and buildings. The Changan-2 Plant and the Changan-3 Plant, and the Dalingshan-1 Plant contributed approximately 34.2% and 15.1% of our total revenue for the year ended December 31, 2006, respectively. Pursuant to the processing agreements, the Dongguan Local Entities and the processing plants are not required to own the factory buildings and/or the land on which the processing plants are situated. In relation to Dalingshan-1 Plant, we understand that the owner of the land use right certificate of the land is taking relevant steps to commence application for the building title certificate in respect of the buildings used by the Dalingshan-1 Plant, and have represented to the relevant Dongguan Local Entity that it allows the Dalingshan-1 Plant to use the buildings. The owner of the land on which Dalingshan-1 Plant is situated has undertaken to us that they will allow the processing plant continued use of the plant. In the event the Changan-2 Plant, the Changan-3 Plant or the Dalingshan-1 Plant were unable to continue to fulfil its obligations under the processing agreement due to title defects, we would consider outsourcing the production to unaffiliated third party manufacturers in the short term. In the longer term, we could consider various alternatives, including outsourcing such production to third party manufacturers, acquiring our own capacity to perform such manufacturing or entering into similar processing agreements with other local enterprises.

During the Track Record Period, we have not encountered any disruption to the operations at the processing plants or received any notification to demolish the buildings nor were they subject to fines or penalties due to the lack of formal land or building ownership certificates. We have our own internal buildings management and maintenance department which carries out routine checks of the safety and fitness of the buildings and facilities at each of the processing plants, and certain of our customers also conduct random checks at the processing plants to satisfy themselves, among other things, that the buildings and facilities are safe and fit to be used. As we have designated employees to supervise the processing plants, we are constantly kept aware of the developments at each of the plants, and from time to time, we inquire with the management of each of the processing plants whether any notices of breach of relevant regulation were issued, or fines and penalties have been imposed. In addition, to the best of our Directors' knowledge, they are not aware of any of the processing plants' buildings being in material breach, non-compliance or violation of the relevant PRC laws and regulation, including matters relating to safety and fitness of the buildings for occupation. As such, our Directors do not consider the lack of building title certificates for the processing plants will result in any material adverse effect to the Group's operations as a whole.

Our PRC legal advisers have advised that each of the processing plants can continue with the uninterrupted use of the premises and no third party shall have any civil right to evict the processing plant from, or otherwise restrict its continual use of, these plant buildings. Based on such advice, our Directors are of the view that the Dongguan Local Entities should be able to procure the uninterrupted use of the land and buildings at each of the processing plants, and will be able to honor their obligations under the processing agreements in this respect.

Our Directors believe that properties used by the processing plants are not crucial to the Group's operation. This conclusion is principally based on the following circumstances: (1) the contribution of the Changan-1 Plant and the Dalingshan-1 Plant to the Group's revenue for 2006 is 7.9% and 15.1%, respectively; (2) the Directors believe that we can reassign production of the shoes to other processing plants or our own plants, or outsource the manufacture of the shoes to our existing network of unaffiliated third party manufacturers with only immaterial economic loss; and (3) our Directors confirm that we would incur approximately RMB2.0 million to RMB3.0 million for relocating our operations in the Changan-1 Plant and the Dalingshan-1 to a new location and approximately RMB5.0 million for the Changan-2 Plant and the Changan-3 Plant, and we expect that such relocation does not have any material financial impact on the Group or a significant disruption to our operations. Such estimation of the relocation cost was made on the basis that (i) the manufacturing processes at the processing plants involves machinery, equipment and materials which are easily transported, and the production lines are flexible and can be dissembled and reassembled quickly and easily without significant amount of downtime and (ii) the Company has previously relocated production facilities that were of a comparable size. In this connection, our Directors do not consider that there will be any material impact as a result of such relocation, as the relocation is intended to take place within Dongguan, the same city as the existing processing plants, and involves relocating the entire processing plant, facilities and workers, as opposed to the setting up of an entirely new plant under a separate processing arrangement, and there is no difference in tax treatment in Dongguan for the relocated plant. Insofar as we are aware, based on our search of property sites in Dongguan, there are sites with generally equivalent scale and proximity, and with long term title certificates available in Dongguan.

Vietnam Manufacturing Plants

Our exclusive contract manufacturer in Vietnam operates two plants at which footwear is produced for us. These are located at Truong Son Village, An Lao District, Hai Phong City and Yen Thanh Ward, Uong Bi Town, Quanh Ninh Province.

The contract manufacturer has a "land use right certificate" for the land on which both factories are built. Subject to it paying rental as provided for in the leases which are attached to the land use right certificates (and subject to any resumption rights of the government), the manufacturer has the exclusive right to use the land.

The land use right certificate (and underlying lease) for the land on which the Truong Suong Village facility is constructed expires on August 2039 and the land use right certificate and lease for the land located in Yen Thanh Ward expires on September 17, 2053.

With respect to the plants constructed on the plots of land, construction permits have been obtained for both plants and other improvements. However, the contract manufacturer has not obtained certificates of ownership for the buildings of the plants. According to our Vietnam legal advisers, the party holding valid land use rights certificates will be entitled to apply for building title certificates for any buildings constructed on such lands. Our Vietnam legal advisers do not have access to adequate documentation to ascertain whether these certificates could be obtained on application or whether the improvements were constructed in accordance with the construction permits and prevailing building regulations. If the plants were not constructed under valid permits or in accordance with relevant regulations, a fine may be imposed on the contract manufacturer by the relevant authorities in respect of one of these plants. Further, there is a possibility that the authorities may require those parts of the plants that are non-compliant to be demolished and/or re-constructed in accordance with the terms of the construction permits and applicable building regulations. As we do not own or lease the land and buildings used in the production operation of the Vietnam plants, we are not in possession of the relevant title certificates for such land and buildings, and we do not have the authority or are in the position to remedy any defects relating to the land or the buildings.

We are advised by our Vietnam legal advisors that the relevant law on issuance of building ownership certificate does not expressly require the owner of the building to obtain an ownership certificate. The absence of the ownership certificate of the factories of our Vietnam contract manufacturer located in An Lao and Uong Bi does not, by itself, (i) indicate that our Vietnam contract manufacturer does not own the factories; (ii) allow any third party to claim ownership right over the factories; or (iii) indicate that occupation of and production from the plants is unlawful. We also understand from our Vietnam legal advisors that it is not uncommon for owners, such as our Vietnam contract manufacturer, of improvements on land not to consider obtaining the building ownership certificate as a priority. Our Vietnam legal advisers advised that Golden Star is not legally obliged to obtain the building ownership certificates for the plants, and our Directors are of the view that, based on such opinions, the absence of such building ownership certificates should not cause Golden Star to be in material breach or violation of the local laws and regulation.

Our Vietnam legal advisers advised that, on the basis that Golden Star only manufactures and exports footwear, they are not aware of any further permits, certificates or approvals other than those reviewed which are required for the operations in the Vietnam-1 Plant and the Vietnam-2 Plant, and they have also received verbal confirmation from the Vietnam contract manufacturer that the Vietnam-1 Plant and the Vietnam-2 Plant have never been the subject of any administrative sanctions or fines in relation to their safety and fitness for occupation.

These plants in Vietnam contributed approximately 12.7% of the Group's total revenue for the year ended December 31, 2006. In the event the Vietnam manufacturer is unable to continue fulfilling its obligations under the 2007 Contract due to building title defects, we would consider outsourcing the production to unaffiliated third party manufacturers in the short term. In the longer term, we could consider various alternatives, including outsourcing such production to third party manufacturers, acquiring our own capacity to perform such manufacturing or entering into similar contractual manufacturing arrangements with other local entities. During the Track Record Period, we have not encountered any disruption to the operations at the Vietnam plants due to the lack of formal land or building ownership certificates. As such, our Directors do not believe that the lack of building title certificates for the Vietnam plants will result in any material adverse effect to the Group's operations as a whole.

Our results of operations could be adversely affected if there is an interruption of business at the processing plants in the PRC or the manufacturing facilities in Vietnam. Please refer to the section headed "Risk Factors – Risks Relating to Our Company and Our Business – We rely on manufacturing facilities that we do not own but use pursuant to processing and contractual arrangements. Any failure in or interruption of business at these manufacturing facilities will adversely affect our results of operations" in this prospectus.

Premises Occupied by the Group under Leases

As of the date of this prospectus, we leased approximately 348.8 square meters in Shanghai for retail, and approximately 642.7 square meters for storage and office purposes. All our leases are entered into with independent third parties and we are using the leased premises in accordance with the purposes stated in the respective lease agreements. Please refer to Appendix IV "Property Valuation" to this prospectus for further details regarding the buildings or units that we occupy and the terms of the leases.

Our property valuer, Sallmanns (Far East) Limited, has confirmed that the rental payments agreed to be made by us for our lease properties in Shanghai were in line with the then prevailing market rates.

INSURANCE

We maintain insurance policies in respect of our offices, manufacturing facilities and inventories covering losses owing to fire, flood, earthquake and hurricane. We believe that such insurance coverage is adequate. We do not maintain business interruption insurance. Significant damage to any of our manufacturing facilities or buildings, whether as a result of fire or other causes, would have a material adverse effect on our results of operations. In 2006, we expended an aggregate of approximately US$0.6 million on maintaining insurance policies.

EMPLOYEES

The following table sets forth, for the periods indicated, the number of our employees employed in the areas of sales and administration, design and development and manufacturing and our total number of employees.

	For the Year Ended December 31, 2006	
	Number of Employees	Percentage of Total Employees
Sales and Administration	1,297	5.3%
Design and Development	2,672	11.0
Manufacturing	20,075	82.8
Other	210	0.9
Total	24,254	100.0%

Our employees do not include those who work in the four manufacturing facilities that we use in China pursuant to processing agreements and in the two manufacturing facilities we use in Vietnam pursuant to contractual arrangements. We estimate that the turnover rate of our employees was over 40% in 2006. We believe that the relatively high turnover rate is typical in Guangdong Province for labor-intensive industries. We recruit our employees through agents, general employment advertisements and word-of-mouth from other factories. We plan to continue to improve the working environment in our manufacturing facilities and the living facilities for our employees.

We seek to grow our management team internally through effective training and promotion programs. We contribute to our employees' social insurance, provident housing fund and certain other employee benefits in accordance with PRC laws and regulations. We adhere strictly to both statutory employment standards and those requested by our customers, such as wages and working hours, and maintain internal standards and workplace practices that exceed both. We comply with the PRC government's policy on labor issues.

We have entered into employment agreements, including non-compete provisions, with our key personnel.

Under relevant PRC laws and regulations, our PRC subsidiaries are required to make contributions to several employee social and welfare schemes. However, various local governments impose different requirements with respect to these contributions. We make employee social and welfare contributions which are calculated based on the contribution bases required by the local governments (the various contribution bases include, but are not limited to, a fixed monthly salary paid to an employee, average monthly salary to an employee for the previous year, total salary to all employees, common average monthly salary for the previous year). Our PRC subsidiaries are subject to these contribution bases on a case-by-case basis.

Although the relevant rules and regulations concerning contributions to social funds provide guidelines as to any applicable fines or penalties for delinquent companies, the relevant competent authorities have and may exercise wide discretion on the amounts of fines or penalties actually imposed. The relevant governmental authorities make such determinations on a case-by-case basis.

In 2004, dissatisfaction among some workers regarding a reduction of working hours and a miscalculation in wages at the Changan-3 Plant resulted in some property damage and civil disturbance outside of working hours. In light of the increasing sensitivity of some of our customers toward long working hours at manufacturing facilities in emerging markets, we had communicated to the manufacturing facilities used by us pursuant to the processing agreements of our intention to gradually reduce the working hours for employees at the processing plants. In this connection, we understand that the workers at the Changan-3 plant were told to take two Saturdays off each month. However, due to an error with the data input system, expenses for meals on Saturdays were mistakenly deducted from the wages. The workers may have mistakenly viewed such an error as a reduction in their wages. In response to this dispute, we instituted worker-management liaison committees, recreational activities and other measures to improve management-worker relations and communication and to improve worker satisfaction. As a result of such measures, we believe our relationship with our workforce has improved significantly in recent periods. However, we cannot assure you that other labor disputes will not arise in the future. Please refer to the section headed "Risk Factors – Risks Relating to Our Company and Our Business – Labor disputes could significantly disrupt our manufacturing operations" in this prospectus.

In 2006 and 2007, we experienced three strikes by workers in the manufacturing facilities used pursuant to contractual arrangements in Vietnam. Such strikes occur relatively frequently in Vietnam as workers frequently strike to demand higher wages. In some cases, we have increased wages in response to the labor strikes, although we do not always increase the wages. During such strikes, we shift some production to China or to facilities in Vietnam not experiencing the strikes. In addition, our customers accept a delay in delivery because they understand such strikes occur frequently in Vietnam. Please refer to the section headed "Risk Factors – Risks Relating to Our Company and Our Business – Labor disputes could significantly disrupt our manufacturing operations" in this prospectus.

Of the 24,254 employees employed by us as of December 31, 2006, 145 (or approximately 0.6%) were from Taiwan, the majority of whom were employed in a management capacity or in technical areas. Most of our Core Owners are residents of Taiwan. We generally seek to hire employees locally to the extent practicable.

Immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised), Cordwalner Bonaventure Inc., a company incorporated in the BVI, will hold 75% of our entire issued share capital and will be our controlling shareholder. Mr. Jimmy Chen, Mr. Jack Chiang and Mr. Eric Chao, three of the executive Directors of our Company, respectively hold approximately 7.49%, 7.49% and 7.49% of the issued capital of Cordwalner Bonaventure Inc. Cordwalner Bonaventure Inc. acquired its interest in our Company on June 13, 2007, pursuant to a transfer by Cordwalner Bonaventure Inc. of its shareholding, being the entire issued capital of SIL, Stella International Marketing Company Limited and Stella Luna Sol Limited, in consideration for an issue and allotment of 999,999 Shares to Cordwalner Bonaventure Inc., credited as fully paid at par. For further details of this transfer and other changes to the share capital of our Group in the two years immediately preceding the date of this prospectus, please refer to Appendix VI "Statutory and General Information" to this prospectus.

We believe that we can carry on our business independently of our controlling shareholder (and our controlling shareholder's associates) following the Listing, and that we satisfy the relevant requirements under the Listing Rules, since our controlling shareholder and its associates (a) do not have any interests in any business that competes with us; (b) do not have any dealings with us other than through Cordwalner Bonaventure Inc.'s investment holding in our Company, and through the positions of Mr. Jimmy Chen, Mr. Jack Chiang and Mr. Eric Chao, as shareholders of Cordwalner Bonaventure Inc. and as executive Directors of our Company; and (c) Cordwalner Bonaventure Inc., Mr. Jimmy Chen, Mr. Lawrence Chen, Mr. Eric Chao and Mr. Jack Chiang undertaken to us that, at any time during which our Shares are listed on the Stock Exchange and for so long as Cordwalner Bonaventure Inc., Mr. Jimmy Chen, Mr. Lawrence Chen, Mr. Eric Chao and Mr. Jack Chiang together hold, whether individually or in the aggregate, 30% or more of our issued share capital or are otherwise regarded as our controlling shareholders, Cordwalner Bonaventure Inc. will not, and will procure that their respective associates (excluding our Group) will not, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, concerned with or interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of the Group or its associated companies), partner, agent or otherwise in the development and manufacture of footwear products, or in any other business that may compete, directly or indirectly, with any business carried on from time to time by any member of our Group.

The shares held by Cordwalner Bonaventure Inc. are subject to certain lock-up undertakings for periods ending six and twelve months after the date on which trading in our Shares commences on the Stock Exchange, further details of which are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Undertakings" in this prospectus.

DETAILS OF CONTINUING CONNECTED TRANSACTIONS

Overview

Following the completion of the Global Offering, we will continue to have certain transactions that constitute connected transactions within the meaning of the Listing Rules. Set out below is a summary of these connected transactions and, where applicable, the waivers from strict compliance with the relevant requirements of the Listing Rules that we have received from the Stock Exchange.

Item	Nature of Transaction	Applicable Stock Exchange Listing Rule	Waiver Sought
Exempt continuing connected transactions			
1.	Purchase of machinery	Rule 14A.33(3)	None
Continuing connected transactions exempt from independent shareholders' approval requirements			
2.	Lease of office	Rule 14A.34	Announcement requirements
3.	Lease of factory	Rule 14A.34	Announcement requirements
4.	Purchase of components – lasts	Rule 14A.34	Announcement requirements
5.	Purchase of components – molds	Rule 14A.34	Announcement requirements
Non-exempt continuing connected transactions			
6.	Purchase of materials – tannery	Rule 14A.35	Announcement and independent shareholders' approval requirements
7.	Purchase of materials – tannery and soles	Rule 14A.35	Announcement and independent shareholders' approval requirements
8.	Purchase of materials – soles	Rule 14A.35	Announcement and independent shareholders' approval requirements
9.	Purchase of materials – soles	Rule 14A.35	Announcement and independent shareholders' approval requirements

Details of the transactions summarized in the table above are set out below.

Exempt Continuing Connected Transaction

Purchase of machinery from Shenandoah (Item 1)

Background: Our Group has been purchasing machinery used for the manufacture of footwear products at our manufacturing facilities sourced by Shenandoah in Taiwan throughout the Track Record Period since the Group does not have presence or an office in Taiwan. For the three years ended December 31, 2006, our total purchase of machinery from Shenandoah amounted to approximately US$2,485,000, US$730,000 and US$1,139,000 respectively, accounting for 13.2%, 7.2% and 6.6% respectively of our total capital expenditure for plant and machinery during those periods.

Connected person: Shenandoah, which is a trading company based in Taiwan, is our connected person, since the controlling group of shareholders of Shenandoah (holding in aggregate more than 30% of its issued share capital) include Mr. Jimmy Chen, Mr. Jack Chiang and Mr. Eric Chao, all of whom are also Directors and shareholders of our controlling shareholder, Cordwalner Bonaventure Inc.

Connected transaction: The ongoing purchase of such machinery by us from Shenandoah following the completion of the Global Offering will constitute a continuing connected transaction under Rule 14A.14 of the Listing Rules.

Pricing: The pricing for these purchases was typically determined by reference to the market price for such machinery in the open market. The prices were fixed by obtaining quotes from Shenandoah and comparing such quotes to prices offered by other third-party suppliers. As such, our Directors have confirmed that these prices were determined on an arm's-length basis, were in line with market rates and were no less favorable to our Group than those offered to independent third parties.

Future arrangement: We have entered into a framework purchase agreement with Shenandoah expiring on December 31, 2007. Pursuant to this framework purchase agreement, we will purchase machinery from Shenandoah as and when we have relevant purchase requirements. The price payable for future purchases will be determined by reference to the market price for such machinery in the open market.

We estimate that the total purchase price of machinery that we will purchase from Shenandoah will cost approximately US$500,000 for the year ending December 31, 2007. We have arrived at these estimates by taking into account our estimated purchase requirements for machinery in 2007, as well as our intention to purchase machinery directly from third party suppliers from 2008 onwards, when we expect our branch in Taiwan to commence operations.

Continuing Connected Transactions exempt from independent shareholders' approval requirements

Lease of Office from Sanford International (Item 2)

Background: On May 21, 2007, we entered into a tenancy agreement with Sanford International. Pursuant to such tenancy agreement, Sanford International agreed to lease office premises with a gross floor area of 940.18 sq.m. located at 20th Floor, 8 Beihai Road, Huangpu District, Shanghai, China (中國上海黃浦區北海路八號二十層). The leased premises are used as the office of Stella Luna in Shanghai, which is responsible for the Group's retail business in the PRC.

Connected person: Sanford International is 50% owned ultimately by Mr. Jimmy Chen and 50% owned ultimately by Mr. Lawrence Chen. Since Sanford International is an associate of Mr. Jimmy Chen, who is our Director, it is a connected person of the Company. Sanford International is engaged in the manufacture and sale of soles.

Rent: The annual rent for the tenancy is RMB676,920 (exclusive of water and electricity charges, gas fees, maintenance and property fees and other fees in relation to the utilization of the premises), to be paid on a quarterly basis.

Sallmanns (Far East) Limited, the property valuer of the Company, considers that such rent of approximately RMB60 per sq.m. per month represents the market rent.

Future arrangement: Such tenancy agreement is for a term of three years effective from January 1, 2007 to December 31, 2009 and, subject to compliance with Listing Rules requirements regarding connected transactions, renewable for a three-year term.

We expect that the rent to be paid by our Group on an annual basis under such tenancy agreement will not exceed RMB676,920 for each of the years ending December 31, 2007, 2008 and 2009, respectively, on the basis of the tenancy agreement.

Lease of factory from Huizhou Stella (Item 3)

Background: On May 21, 2007, we entered into a tenancy agreement with Huizhou Stella. Pursuant to such tenancy agreement, Huizhou Stella agreed to lease the industrial premises located at Xinhu Industrial Park, Maan County, Huicheng District, Huizhou, China (中國惠州市惠城區馬安鎮新湖工業園). The leased premises are intended to be used as our new factory in Huizhou which is expected to commence operation in the second half of 2007.

Connected person: Huizhou Stella is 50% owned ultimately by Mr. Jimmy Chen and 50% owned ultimately by Mr. Lawrence Chen. Since Huizhou Stella is an associate of Mr. Jimmy Chen, who is our Director, it is a connected person of the Company. Huizhou Stella is engaged in the manufacture and sale of footwear components.

Rent: The annual rent for the tenancy is RMB5,400,000 (exclusive of water and electricity charges, gas fees, maintenance and property fees and other fees in relation to the utilization of the premises), to be paid on a quarterly basis.

Sallmanns (Far East) Limited, the property valuer of the Company, considers that such rent of approximately RMB7.5 per sq.m. per month represents the market rent.

Future arrangement: Such tenancy agreement is for a term of three years effective from the date of establishment of the Group's new factory in Huizhou and, subject to compliance with Listing Rules requirements regarding connected transactions, renewable for a three years' term.

We expect that the rental to be paid by our Group on an annual basis under such tenancy agreement will not exceed RMB5,400,000 for each of the years ending December 31, 2007, 2008 and 2009, respectively, on the basis of the tenancy agreement.

Purchase of lasts from Sabina (Item 4)

Background: Our Group has been purchasing lasts, which are made from plastic and are one of the components used to manufacture our footwear products, from Sabina since 2005. For the two years ended December 31, 2006, our total purchase of lasts from Sabina amounted to approximately US$386,000 and US$1,140,000 respectively, accounting for 0.1% and 0.3% respectively of our total costs of raw materials and components during those periods.

Connected person: Sabina is 50% owned ultimately by Mr. Jimmy Chen and 50% owned ultimately by Mr. Lawrence Chen. Since Sabina is an associate of Mr. Jimmy Chen, who is our Director, it is a connected person of the Company. Sabina is engaged in the manufacture and sale of plastic products.

Connected transaction: The ongoing purchase of lasts by us from Sabina following the completion of the Global Offering will constitute a continuing connected transaction under Rule 14A.14 of the Listing Rules.

Pricing: The price for these materials was typically determined by reference to the market price for such materials in the open market. The prices were fixed after obtaining quotes from Sabina and comparing such quotes to prices offered by other third-party suppliers. As such, our Directors have confirmed that these prices were determined on an arm's-length basis, were in line with market rates and were no less favorable to our Group than those given to third parties.

Future arrangement: We have entered into a framework purchase agreement with Sabina expiring on December 31, 2009 and, subject to compliance with Listing Rules requirements regarding connected transactions, renewable for a three-year term. Pursuant to this framework purchase agreement, we will purchase lasts from Sabina as and when we have relevant purchase requirements. The price that we will pay for future purchases of lasts will be determined by reference to the market price for such materials in the open market.

We estimate that the total cost of lasts purchased by us from Sabina will amount to approximately US$2,600,000, US$2,900,000 and US$3,300,000, respectively, for each of the years ending December 31, 2007, 2008 and 2009. We have calculated these estimates with reference to the amount of lasts purchased by us from Sabina in the two years ended December 31, 2006, taking into account our expected increase in future demand for such materials.

Purchase of molds from Sincerely International (Item 5)

Background: Our Group has been purchasing molds, which are components used for manufacturing our footwear products, from Sincerely International throughout the Track Record Period. For the three years ended December 31, 2006, our total purchase of molds from Sincerely International was approximately US$1,029,000, US$1,389,000 and US$2,623,000, respectively, accounting for 2.3%, 2.5% and 5.4%, respectively, of our total other manufacturing expenses during those periods.

Connected person: Sincerely International is 50% owned ultimately by Mr. Jimmy Chen and 50% owned ultimately by Mr. Lawrence Chen. Since Sincerely International is an associate of Mr. Jimmy Chen, who is our Director, it is a connected person of the Company. Sincerely International is engaged in the manufacture and sale of various types of molds.

Connected transaction: The ongoing purchase of molds by us from Sincerely International following the completion of the Global Offering will constitute a continuing connected transaction under Rule 14A.14 of the Listing Rules.

Pricing: The price for these purchases was typically determined by reference to the market price for such consumables in the open market. The prices were fixed after obtaining quotes and comparing such quotes to prices offered by other third-party suppliers. As such, our Directors have confirmed that these prices were determined on an arm's-length basis, were in line with market rates and were no less favorable to our Group than those given to third parties.

Future arrangement: We have entered into a framework purchase agreement with Sincerely International expiring on December 31, 2009 and, subject to compliance with Listing Rules requirements regarding connected transactions, renewable for a three-year term. Pursuant to this framework purchase agreement, we will purchase molds from Sincerely International as and when we have relevant purchase requirements. The price payable for future purchases will be determined by reference to the market price for such materials in the open market.

We estimate that the total purchase of molds by us from Sincerely International will amount to approximately US$3,900,000, US$4,500,000 and US$5,300,000, respectively, for each of the years ending December 31, 2007, 2008 and 2009. We have calculated these estimates with reference to the amount of molds purchased by us from Sincerely International in the three years ended December 31, 2006, taking into account our estimated increase in future demand for such consumables.

Non-exempt Continuing Connected Transactions

Purchase of tannery from Stella Tannery (Item 6)

Background: Our Group has been purchasing tannery, a type of raw material used in the manufacture of our footwear products, from Stella Tannery since 2006. For the year ended December 31, 2006, our total purchase of tannery leather from Stella Tannery amounted to approximately US$12,144,000, accounting for 3.3% respectively of our total costs of raw materials and components during this period.

Connected person: Stella Tannery is 50% owned ultimately by Mr. Jimmy Chen and 50% owned ultimately by Mr. Lawrence Chen. Since Stella Tannery is an associate of Mr. Jimmy Chen, who is our Director, it is a connected person of the Company. Stella Tannery is engaged in the business of tanning leather.

Connected transaction: The ongoing purchase of leather and other tannery products by us from Stella Tannery following the completion of the Global Offering will constitute a continuing connected transaction under Rule 14A.14 of the Listing Rules.

Pricing: The price for these purchases was typically determined by reference to the market price for such materials in the open market. The prices were fixed after obtaining quotes from Stella Tannery and comparing such quotes to prices offered by other third-party suppliers. As such, our Directors have confirmed that these prices were determined on an arm's-length basis, were in line with market rates and were no less favorable to our Group than those given to third parties.

Future arrangement: We have entered into a framework purchase agreement with Stella Tannery expiring on December 31, 2009 and, subject to compliance with Listing Rules requirements regarding connected transactions, renewable for a three-year term. Pursuant to this purchase agreement, we will purchase raw materials from Stella Tannery as and when we have relevant purchase requirements. The price payable for future purchases will be by reference to the market price for such materials in the open market.

We estimate that the total purchase of materials by us from Stella Tannery will amount to approximately US$32,800,000, US$40,700,000 and US$50,600,000, respectively, for each of the years ending December 31, 2007, 2008 and 2009. We have calculated these estimates with reference to the amount of materials purchased by us from Stella Tannery in the year ended December 31, 2006, taking into account our estimated increase in future demand for such materials.

Purchase of tannery and soles from Shenandoah (Item 7)

Background: Our Group has been purchasing raw materials used for the manufacture of footwear, such as tannery and soles sourced or purchased by Shenandoah in Taiwan, from Shenandoah throughout the Track Record Period. For the three years ended December 31, 2006, our total purchase price of materials from Shenandoah amounted to approximately US$23,749,000, US$23,359,000 and US$20,503,000 respectively, accounting for 9.4%, 7.6% and 5.6%, respectively, of our total costs of raw materials and components during those periods.

Connected person: As described under Item 1, Shenandoah is our connected person.

Connected transaction: The ongoing purchase of materials by us from Shenandoah following the completion of the Global Offering will constitute a continuing connected transaction under Rule 14A.14 of the Listing Rules.

Pricing: The pricing for these purchases was typically determined by reference to the market price for such materials in the open market. The prices were fixed after obtaining quotes from Shenandoah and comparing such quotes to prices offered by other third-party suppliers. As such, our Directors have confirmed that these prices were determined on an arm's-length basis, and were in line with market rates and were no less favorable to our Group than those given to third parties.

Future arrangement: We have entered into a framework purchase agreement with Shenandoah expiring on December 31, 2007. Pursuant to this framework purchase agreement, we will purchase materials, including tannery and soles from Shenandoah as and when we have relevant purchase requirements. The price payable for future purchases will be determined by reference to the market price for such materials in the open market.

We estimate that the total purchase of raw materials and components by us from Shenandoah will be approximately US$16,800,000 for the year ending December 31, 2007. We have calculated these estimates based on our estimated purchase of raw materials and components in 2007 as well as our intention to purchase such materials directly through our branch in Taiwan from third party suppliers from 2008 onwards, when we expect our branch in Taiwan to commence operations.

Purchase of sole materials from Sanford International (Item 8)

Background: Our Group has been purchasing sole materials, one of the raw materials used in the manufacture of our footwear products, from Sanford International throughout the Track Record Period. For the three years ended December 31, 2006, our total purchase of materials for soles from Sanford International amounted to approximately US$3,575,000, US$3,276,000 and US$9,281,000 respectively, accounting for 1.4%, 1.1% and 2.5% respectively of our total costs of raw materials and components during those periods.

Connected person: As described under Item 2, Sanford International is a connected person.

Connected transaction: The ongoing purchase of sole materials by us from Sanford International following the completion of the Global Offering will constitute a continuing connected transaction under Rule 14A.14 of the Listing Rules.

Pricing: The pricing for these purchases was typically determined by reference to the market price for such materials in the open market. The prices were fixed after obtaining quotes from Sanford International and comparing such quotes to prices offered by other third-party suppliers. As such, our Directors have confirmed that these prices were determined on an arm's-length basis, were in line with market rates and were no less favorable to our Group than those given to third-parties.

Future arrangement: We have entered into a framework purchase agreement with Sanford International expiring on December 31, 2009 and, subject to compliance with Listing Rules requirements regarding connected transactions, renewable for a three-year term. Pursuant to this framework purchase agreement, we will purchase materials for soles from Sanford International as and when we have relevant purchase requirements. The price payable for future purchases will be by reference to the market price for such materials in the open market.

We estimate that the total purchase of sole materials by us from Sanford International will amount to approximately US$11,900,000, US$13,900,000 and US$16,000,000, respectively, for each of the years ending December 31, 2007, 2008 and 2009. We have calculated these estimates with reference to the amount of sole materials purchased by us from Sanford International in the three years ended December 31, 2006, taking into account our estimated increase in future demand for such materials.

Purchase of sole materials from Xintan Footwear (Item 9)

Background: Our Group has been purchasing sole materials, one of the raw materials used in the manufacture of our footwear products, from Xintan Footwear since its commencement of production in March 2007. For the month ended March 31, 2007, our total purchase of sole materials from Xintan Footwear amounted to approximately US$144,000.

Connected person: Xintan Footwear is 50% owned ultimately by Mr. Jimmy Chen and 50% owned ultimately by Mr. Lawrence Chen. Since it is an associate of Mr. Jimmy Chen, who is our Director, it is a connected person of the Company. Xintan Footwear is engaged in the manufacture and sale of soles.

Connected transaction: The on-going purchase of sole materials by us from Xintan Footwear following the completion of the Global Offering will constitute a continuing connected transaction under Rule 14A.14 of the Listing Rules.

Pricing: The pricing for these purchases was typically determined by reference to the market price for such materials in the open market. The prices were fixed after obtaining quotes from Xintan Footwear and comparing such quotes to prices offered by other third-party suppliers. As such, our Directors have confirmed that these prices were determined on an arm's-length basis, were in line with market rates and were no less favorable to our Group than those given to third parties.

Future arrangement: We have entered into a framework purchase agreement with Xintan Footwear expiring on December 31, 2009 and, subject to compliance with Listing Rules requirements regarding connected transactions, renewable for a three years' term. Pursuant to this framework purchase agreement, we will purchase sole materials from Xintan Footwear as and when we have relevant purchase requirements. The price payable for future purchases will be by reference to the market price for such materials in the open market.

We estimate that the total purchase of sole materials by us from Xintan Footwear will amount to approximately US$17,300,000, US$24,900,000 and US$27,400,000, respectively, for each of the years ending December 31, 2007, 2008 and 2009. We have calculated these estimates based on our estimated future demand for such materials.

Aggregation of Transactions

Pursuant to Rule 14A.25 to Rule 14A.27 of the Listing Rules, the continuing connected transactions, other than those relating to the lease of premises which are aggregated in one category, are aggregated based on the type of products being supplied to the Group. Accordingly, the annual caps for Items 2 and 3, being the lease of premises, the annual caps for Items 4 and 5, being the purchases of footwear components (*i.e.*, last and molds) and the annual caps for Items 6 to 9, being the purchases of raw materials (*i.e.*, soles and tannery) are aggregated into their respective groups.

Annual Caps

To ensure the quality of certain key components and raw materials such as sole and tannery, our customers typically require us to source such materials from suppliers pre-approved by them. The connected parties supplying such components and raw materials are suppliers pre-approved by our customers and the annual caps for the raw materials and components are estimated based on the confirmed sales orders on hand, the number of development prototypes in the pipeline and the amount of the expected sales orders after consultation with customers and the number of connected persons who are also suppliers approved by our customers. It is estimated that there will be an annual increase of approximately 10% in sales orders. In addition, the annual caps for Item 9 is also estimated with reference to Xintan Footwear's increase in production capacity together with the expected take-up and demand by our customers. The annual caps for the office and factory leases are the actual rental payable by our Group pursuant to the tenancy agreements.

WAIVERS

Continuing connected transactions after the Global Offering

Our Directors (including the INEDs) are of the opinion that the transactions described in the section above headed "Details of Continuing Connected Transactions" have been entered into (i) in the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interests of our Shareholders as a whole, and (ii) the annual caps (as stated below) for such transactions are fair and reasonable.

Furthermore, our Directors (including the INEDs) are of the opinion that we do not rely on the connected parties for the premises and purchases described as Items 1 to 9 in the section above headed "Details of Continuing Connected Transactions" as those premises and purchases are readily available from independent third parties at comparable prices and terms. However, our Directors (including the INEDs) believe that the premises and purchases from the connected parties allow us to benefit from the economies of scale with the connected parties. The prices and terms in relation to the rental and the purchases offered by the connected parties to us are no less favorable than those offered to independent third parties by those connected parties, and are also no less favorable to us than those obtainable by our Group from independent third parties.

No waiver applied for in respect of a certain category of connected transaction that are exempt continuing connected transactions

For the continuing connected transaction described under Item 1 above, each of the percentage ratios (other than profit ratio), calculated by reference to Rule 14.07 of the Listing Rules, where applicable, is expected on an annual basis to be less than 0.1%. Accordingly, these transactions qualify under Rule 14A.33(3) of the Listing Rules as *de minimis* transactions that are exempt from the reporting, announcement and independent shareholders' approval requirements.

Waivers from compliance with announcement and independent shareholders' approval requirements

Under the Listing Rules, the continuing connected transactions described in:

(1) Items 2 to 5 (Items 2 and 3 on an aggregated basis and Items 4 and 5 on an aggregated basis) above (the "Continuing connected transactions exempt from independent shareholders' approval requirements") would require compliance with the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules; and

(2) Items 6 to 9 (on an aggregated basis) above (the "Non-exempt continuing connected transactions") would require compliance with the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the prior independent shareholders' approval requirement set out in Rule 14A.48 of the Listing Rules;

on each occasion on which they arise following the completion of the Global Offering.

In relation to the continuing connected transactions that are exempt from independent shareholders' approval requirements described in (1) above, each of the percentage ratio (other than the profit ratios) based on the relevant annual cap as set out below, where applicable, in relation to each of these items is, on an annual basis, expected to be less than 2.5% under Rule 14A.34 of the Listing Rules. Accordingly, such transactions are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

Because the Continuing connected transactions exempt from independent shareholders' approval requirements and the Non-exempt continuing connected transactions described in (1) and (2) above are expected to continue on a recurring basis after the listing of our Shares on the Stock Exchange, and have been entered into prior to the Listing Date and have been fully disclosed in this prospectus and as potential investors will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and/or the independent shareholders' approval requirements would add unnecessary administrative costs for us. Accordingly, we have requested the Stock Exchange, and the Stock Exchange has granted us a waiver pursuant to Rule 14A.42(3) of the Listing Rules from strict compliance with the announcement and/or independent shareholders' approval requirements as stipulated in Rules 14A.47 and 14A.48 of the Listing Rules in connection with the continuing connected transactions described in (1) and (2) above. In addition, we confirm that we will comply with Rule 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules in relation to the continuing connected transactions described in (1) and (2) above.

In respect of Rules 14A.35(2) and 14A.36(1) of the Listing Rules, the maximum aggregate annual value, if any, for the continuing connected transactions that are exempt from independent shareholders' approval requirements and the non-exempt continuing connected transactions shall not exceed the applicable limit set out below:

Item	Nature of Transaction	Annual Cap For the year ended December 31, 2007	2008	2009
1	Purchase of machinery	US$ 500,000	US$ 0	US$ 0
2	Lease of office	RMB 676,920	RMB 676,920	RMB 676,920
3	Lease of factory	RMB 5,400,000	RMB 5,400,000	RMB 5,400,000
	Items 2 and 3 on an aggregated basis:	*RMB 6,076,920*	*RMB 6,076,920*	*RMB 6,076,920*
4	Purchase of component—lasts	US$ 2,600,000	US$ 2,900,000	US$ 3,300,000
5	Purchase of component—molds	US$ 3,900,000	US$ 4,500,000	US$ 5,300,000
	Items 4 and 5 on an aggregated basis:	*US$ 6,500,000*	*US$ 7,400,000*	*US$ 8,600,000*
6	Purchase of materials—tannery	US$ 32,800,000	US$ 40,700,000	US$ 50,600,000
7	Purchase of materials—tannery and soles	US$ 16,800,000	US$ 0	US$ 0
8	Purchase of materials—soles	US$ 11,900,000	US$ 13,900,000	US$ 16,000,000
9	Purchase of materials—soles	US$ 17,300,000	US$ 24,900,000	US$ 27,400,000
	Items 6 to 9 on an aggregated basis:	*US$ 78,800,000*	*US$ 79,500,000*	*US$ 94,000,000*

Confirmation from the Sponsor

The Sponsor has reviewed the relevant information and historical figures provided by us relating to the continuing connected transactions described above and has also conducted due diligence by discussing with us and our advisers, and has obtained the necessary representations and confirmations from us and our Directors, to satisfy itself of the accuracy of the information provided. Based on its due diligence, the Sponsor is of the view that such transactions and their respective annual caps are fair and reasonable, and that such transactions have been entered into in the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interests of our Shareholders as a whole. In addition, the Sponsor has considered the corporate governance measures established by our Company, and the functions and terms of reference of our audit committee and corporate governance committee, as well as the qualifications and experience of the members sitting on such committees, and it is of the view that there are relevant procedures in place to require transactions with our affiliates to be closely scrutinized by our independent non-executive Directors, and each of the independent non-executive Directors have the relevant experience to consider whether such transactions are on normal and commercial terms and in the interests of our Shareholders as a whole.

DIRECTORS

The Board consists of nine Directors, of whom five are executive Directors, one is a non-executive Director and the remaining three are independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Chen Jiann-Min, Jimmy, aged 51, is the chairman and an executive Director of the Company. Mr. Chen has been with the Group since its establishment in 1982 and is one of the founders of the Group. He is responsible for the Group's overall daily operations, strategic planning, business development, sales and marketing activities and retail operations. He has 25 years of experience in manufacturing, technology development and management in the footwear industry. He holds a Bachelor of Commerce degree from the Tunghai University, Taiwan. Mr. Chen is the brother of a member of the senior management of the Company, Mr. Lawrence Chen, and is the brother-in-law of the non-executive Director of the Company, Mr. Shih Takuen, Daniel. He is also the cousin of a member of the senior management of the Company, Mr. Yang Chen-Ning. Mr. Chen has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. Chiang Jeh-Chung, Jack, aged 56, is an executive Director, the president and the chief executive officer of the Company. Mr. Chiang has been with the Group since 1983 and is one of the founders of the Group. He is responsible for the Group's design, development, marketing and customer relationship. Mr. Chiang has about 25 years of experience in new product development and management in the footwear industry. He is the uncle of a fellow Director, Mr. Chi Lo-Jen, Stephen, and is the brother-in-law of a fellow Director of the Company, Mr. Shieh Tung-Pi, Billy. Mr. Chiang has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. Chao Ming-Cheng, Eric, aged 55, is an executive Director of the Company. Mr. Chao has been with the Group since 1982 and is one of the founders of the Group. He is responsible for factory management and setting up new manufacturing facilities. Mr. Chao has 25 years of experience in management in the footwear industry. He holds a Bachelor of Commerce degree from the Tunghai University, Taiwan. Mr. Chao has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. Shieh Tung-Pi, Billy, aged 49, is an executive Director of the Company and the vice president of the women's footwear business division of the Group. Mr. Shieh has been with the Group since 1982. Mr. Shieh has 25 years of experience in the footwear industry. He holds a Certificate of Tourism Management from the Tansui Institute of Industrial and Business Administration (now the Aletheia University), Taiwan. Mr. Shieh is the brother-in-law of a fellow Director of the Company, Mr. Jack Chiang. Mr. Shieh has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. Chi Lo-Jen, Stephen, aged 35, is an executive Director of the Company. Mr Chi joined the Group in 1995 and is the chief operating officer of the women's footwear business division of the Group. He is responsible for the supervision of the daily operations and business development of women's footwear business. Mr. Chi is also responsible for product design and development. He has over 11 years of experience in the footwear industry. Mr. Chi is the nephew of a fellow Director of the Company, Mr. Jack Chiang. Mr. Chi has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

NON-EXECUTIVE DIRECTOR

Mr. Shih Takuen, Daniel, aged 55, is a non-executive Director of the Company. Mr. Shih holds a Bachelor in Electrical Engineering degree and a Master of Science degree from the Tatung Institute of

Technology (now the Tatung University), Taiwan and the University of Cincinnati, the United States, respectively. Mr. Shih is currently the President of PepsiCo China Beverages Business Unit. Mr. Shih is the brother-in-law of a fellow Director of the Company, Mr. Jimmy Chen. Mr. Shih has not been a director of any other publicly listed company during the three years preceding the date of this prospectus. Mr. Shih joined the Group on June 15, 2007, when he was appointed as a non-executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Pao-Kuei, aged 75, is an independent non-executive Director. Mr. Chu studied at the National Taiwan University. He is one of the founders of KPMG Taiwan, and was also a partner of KPMG International. Mr. Chu has been a managing partner in charge of the tax department of KPMG Taiwan for over 20 years. Currently he is an independent director of Yuanta Core Pacific Securities (元大京華證券股份有限公司), a supervisor of Zurich Insurance (Taiwan) Ltd. (蘇黎世產物保險股份有限公司), a supervisor of Sesoda Corporation (東碱股份有限公司) and an independent supervisor of ReaLy Development & Construction Corp. (綠意開發股份有限公司). He currently is appointed as an external member of the Securities Listings Review Committee of the Taiwan Stock Exchange Corporation. In addition, Mr. Chu was a member for the following committees in Taiwan: the Finance and Taxation Group of Economic Reform Committee of the Executive Yuan, the Gre Tai Securities Market Committee of Taipei Securities Association and the Transportation Fare Committee of the Ministry of Transportations and Communications. Before he retired in 2005, Mr. Chu has been a member of the Taiwan Provincial Association of Certified Public Accountants, Republic of China, and a member of Taipei Certified Public Accountants Association since 1967. Mr. Chu has not been a director of any other publicly listed company during the three years preceding the date of this prospectus. Mr. Chu joined the Group on June 15, 2007, when he was appointed as an independent non-executive Director.

Mr. Ng Hak-Kim, *JP*, aged 54, is an independent non-executive Director. Mr. Ng holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and a Master of Social Science degree from the University of Hong Kong. He is a fellow of Hong Kong Institute of Directors, the chairman of Human Capital Management Consulting Ltd. and Adjunct Professor at the Hong Kong Baptist University. Mr. Ng was the President of the World Federation of Personnel Management Associations from 2000 to 2002 and has been the President of Asia Pacific Federation of Human Resource Management for three years and Hong Kong Institute of Human Resource Management for five years. He has been in the human resource profession for over 25 years. Prior to his last role up to January 2007 as Head of Human Resources for Macquarie Securities Asia, he had extensive human resources management experience with multinational corporations including JPMorgan Chase, Jardine Fleming, AT&T and Citibank, N.A. and industrial corporation including Motorola. His professional and community service include, among others, serving as a member of the Committee on Economic Development and Economic Cooperation with the Mainland of the Hong Kong Government's Commission on Strategic Development, Deputy Chairman of the Hong Kong Institute of Education, a Council member and the Ex-Chairman of Remuneration Committee of Hong Kong Housing Society and a Council member and Chairman of Audit Sub-Committee of Hong Kong Housing Authority. Mr. Ng has not been a director of any other publicly listed company during the three years preceding the date of this prospectus. Mr. Ng joined the Group on June 15, 2007 when he was appointed as an independent non-executive Director.

Mr. Hung John Terence, *SBS*, *JP*, aged 68, is an independent non-executive director. Prior to his retirement in 2002, Mr. Hung was a managing director of Wheelock and Company Limited and an executive director of The Wharf (Holdings) Limited where he was responsible for corporate development of the Wheelock Group and the Wharf Group, and in particular, worldwide institutional banking, capital market fundraising and investor relations. Mr. Hung joined the Wheelock/Wharf group in 1967 and held directorships in seven of its listed companies including Wheelock and Company Limited, The Wharf (Holdings) Limited, i-CABLE Communications Limited, Lane Crawford International Limited, Marco Polo Developments Limited, Joyce Boutique Holdings Limited and Realty Development Corporation Company Limited. After his retirement from the Wheelock/Wharf conglomerate, Mr. Hung remained active in business and private ventures, engaging in corporate investment and consultancies and acting as intermediary for cross-border investments between mainland China and international companies. Mr. Hung is a Fellow of the Hong Kong Management Association and the President of the Hong Kong Cricket Club. Furthermore, he was the chairman of the Hong Kong Sports Development Board and a member of the general committee of the Hong Kong General Chamber of Commerce. Mr. Hung has been an independent non-executive director of Cheuk Nang (Holdings) Limited, a company listed on the Stock Exchange from September 2004 until October 2006 when he resigned. Mr. Hung joined the Group on June 15, 2007, when he was appointed as an independent non-executive Director.

SENIOR MANAGEMENT

Mr. Chen Li-Ming, Lawrence, aged 46, is the vice president and the chief operating officer of the Group. Mr. Chen has been with the Group since 1985. He has been responsible for the Group's corporate management. He has over 21 years of experience in the technology development and management in the footwear industry. He holds a Bachelor of Electrophysics degree from the National Chiao Tung University, Taiwan. Mr. Chen is the brother of a fellow Director of the Company, Mr. Jimmy Chen.

Mr. Lee Kwok Ming, aged 49, is the chief financial officer and qualified accountant of the Company. He joined the Group in June 2006 and is responsible for the overall financial function of the Group. Prior to joining the Group, Mr. Lee assumed the position of chief financial officer in a number of listed companies. From 2004 to 2005, he was the executive director of Vitop Bioenergy Holdings Limited and the independent non-executive director of TravelSky Technology Limited. Since 2004, he has been the independent non-executive director of Lianhua Supermarket Holdings Co. Mr. Lee holds a Higher Diploma in Accountancy from the Hong Kong Polytechnic and a Master of Science degree in Business Administration from the University of Bath, United Kingdom. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Institute of Management Accountants.

Mr. Chen Tung-Po, aged 50, is the vice president of the women's footwear business division of the Group. Mr. Chen has been with the Group since 1983. He has over 23 years of experience in the footwear industry. Mr. Chen is the brother of a member of the senior management of the company, Mr. Chen Tung-Jui.

Mr. Chang Ching-Hung, aged 46, is the vice president of the men's footwear business division of the Group. Mr. Chang has been with the Group since 1985. Mr. Chang has over 21 years of experience in the footwear industry. He holds a Bachelor of Civil Engineering degree from the Chung Yuan Christian University, Taiwan.

Mr. Chen Tung-Jui, aged 45, is the vice president of the men's footwear business division of the Group. Mr. Chen has been with the Group since 1985. He has over 21 years of experience in the footwear industry. Mr. Chen is the brother of a member of the senior management of the Company, Mr. Chen Tung-Po.

Mr. Huang Wei Ming, Buddy, aged 38, is the chief operating officer of the men's footwear business division of the Group. Mr. Huang has been with the Group since 1993. Mr. Huang has over 13 years of experience in the footwear industry. He holds a Bachelor of Arts degree in Liberal Arts and Sciences with a major in International Business from the San Diego State University, the United States.

Mr. Chang Chen-Ou, aged 50, is the deputy general manager of the men's footwear business division of the Group. Mr. Chang joined the Group in 1994. Mr. Chang has over 21 years of experience in the footwear industry. He holds a Certificate of International Trade from the Tansui Institute of Industrial and Business Administration (now the Aletheia University), Taiwan.

Mr. Chu Chao-Min, aged 47, is the deputy general manager of men's footwear business division of the Group. Mr. Chu joined the Group in 1996 and he was assigned to Vietnam in 2002 to supervise the Group's production there. Prior to joining the Group, he served in various footwear companies such as 東立產業股份有限公司 (Tong Li Realty Ltd.). Mr. Chu has over 13 years of experience in the footwear industry. He holds a Bachelor of Commerce degree from the Feng Chia University, Taiwan.

Mr. Yang Chen-Ning, aged 42, is the senior manager of men's footwear business division of the Group. Mr. Yang joined the Group in 1986 and was assigned to Vietnam in 1999 to assist the supervision of the Group's production there. He has over 20 years of experience in the footwear industry. Mr. Yang is the cousin of a fellow Director of the Company, Mr. Jimmy Chen.

Mr. Tseng Chung-Chieh, aged 50, is the head of trading division of the Group. Mr. Tseng joined the Group in 2000 and was appointed to the current position in 2006. Prior to joining the Group, he served as country manager in China of Harbor Footwear Group, Ltd.. Mr. Tseng has over 12 years of experience in the footwear industry. He holds a Certificate of Business Administration from the Kuochi Commercial Junior College, Taiwan.

Mr. Lin Chih-Kang, aged 56, is the chief operating officer of retail business of the Group. Mr. Lin joined the Group in 2005 and prior to that he worked with, respectively, 永琦百貨事業股份有限公司 (Evergreen Department Store Ltd.), 龍心百貨股份有限公司 (Long Xin Departmental Store Ltd.), 太平洋建設股份有限公司 (Pacific Construction Co., Ltd.) and 太平洋崇光百貨股份有限公司 (Pacific SOGO Department Store Ltd.). Mr. Lin has over 33 years of experience in the retail industry.

Ms. Hsieh Ju-Yun, aged 46, is the deputy general manager of retail business of the Group. Ms. Hsieh joined the Group in 2005, and prior to joining that, she worked with 永琦百貨事業股份有限公司 (Evergreen Department Store Ltd.), 立佳國際股份有限公司 (Li Jia International Ltd.) and 昇華國際股份有限公司 (Shin Hwa International Ltd.). Ms. Hsieh has over 20 years of experience in the retail industry. She holds a Certificate of Fashion Design from the Shih Chien College of Home Economics and Economics (now the Shih Chien University), Taiwan.

QUALIFIED ACCOUNTANT

Our qualified accountant for the purposes of Rule 3.24 of the Listing Rules is Mr. Lee Kwok Ming. Mr. Lee is employed by our Group on a full-time basis. Please refer to his biographical details in the section headed "Senior Management" in this prospectus. Prior to Mr. Lee's joining the Group, Ms. Hu Pi, an existing member of our management who joined the Group in 1993, was responsible for day-to-day supervision of our accounting and finance functions. She is currently involved in assisting Mr. Lee in the Group's overall accounting and finance functions, and she is also one of the Core Owners.

COMPANY SECRETARY

Ms. Kan Siu Yim, aged 36, is the company secretary of the Company employed on a full-time basis. Ms. Kan joined the Group in January 2007. Prior to joining the Group, Ms. Kan assumed the position of company secretary in Moulin Global Eyecare Holdings Limited and Burwill Holdings Limited, both are listed companies. Ms. Kan holds a Bachelor of Arts degree from the University of Hong Kong. She is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

AUDIT COMMITTEE

Our Company established an audit committee pursuant to a resolution of our Directors passed on June 15, 2007 in compliance with the Code of Corporate Governance Practice as set forth in Appendix 14 to the Listing Rules. The primary duty of the audit committee is to review the financial reporting process and internal control procedures of our Group. The audit committee consists of three Directors in total, including the three INEDs, namely, Mr. Chu Pao-Kuei, Mr. Ng Hak-Kim, *JP* and Mr. Hung John Terence, *SBS*, *JP*. Mr. Chu Pao-Kuei is the chairman of the audit committee.

REMUNERATION COMMITTEE

Our Company established a remuneration committee pursuant to a resolution of our Directors passed on June 15, 2007 in compliance with the Code of Corporate Governance Practice as set forth in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee consists of three Directors in total, including two INEDs, namely, Mr. Chu Pao-Kuei and Mr. Ng Hak-Kim, *JP* together with our non-executive Director, Mr. Shih Takuen, Daniel. Mr. Ng Hak-Kim, *JP* is the chairman of the remuneration committee.

NOMINATION COMMITTEE

Our Company established a nomination committee pursuant to a resolution of our Directors passed on June 15, 2007 in compliance with the Code of Corporate Governance Practice as set forth in Appendix 14 to the Listing Rules. The primary duty of the nomination committee is to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee consists of four Directors in total, including three INEDs, namely Mr. Hung John Terence, *SBS*, *JP*, Mr. Ng Hak-Kim, *JP* and Mr. Chu Pao-Kuei, together with our non-executive Director, Mr. Shih Takuen, Daniel. Mr. Hung John Terence, *SBS*, *JP* is the chairman of the nomination committee.

CORPORATE GOVERNANCE COMMITTEE

Our Company established a corporate governance committee pursuant to a resolution of our Directors passed on June 15, 2007. The primary duties of the corporate governance committee are to review and determine the corporate governance policy and to ensure a high standard of corporate governance practices in the Company. The corporate governance committee consists of four Directors in total: one executive Director, namely Mr. Jimmy Chen, one non-executive Director, namely Mr. Shih Takuen, Daniel, and two INEDs, namely Mr. Chu Pao-Kuei and Mr. Hung John Terence, *SBS*, *JP.* Mr. Shih Takuen, Daniel is the chairman of the corporate governance committee.

COMPLIANCE ADVISER

The Company has appointed Anglo Chinese Corporate Finance Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company pursuant to the requirements thereunder. Anglo Chinese Corporate Finance Limited has agreed to, among others, provide advice to the Company with due care and skill on a timely basis when consulted by the Company in the following circumstances:

(i) before the publication by the Company of any regulatory announcement (whether required by the Listing Rules or requested by the Stock Exchange or otherwise), circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated by the Company including share issues and share repurchases;

(iii) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules.

In addition, our compliance adviser will also provide, among others, the following services to the Company:

(a) if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in paragraphs (i) to (iv) above;

(b) in relation to an application by the Company for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise the Company on its obligations and in particular the requirement to appoint an independent financial adviser; and

(c) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer and, to the extent the compliance adviser forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps such as training.

The term of the appointment will commence on the Listing Date and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

COMPETING INTERESTS

As of the Latest Practicable Date, the Directors do not have any interests in any business, except for the Group's business, which competes or may compete, directly or indirectly with the Group's business pursuant to Rule 8.10(2) of the Listing Rules.

Apart from the Group's business, Mr. Jimmy Chen, our chairman and executive director, has interests in certain companies operating the businesses which supply raw materials and manufacture footwear components. Some of these companies are connected persons (the "Connected Companies") with whom the Group has or will enter into transactions as described in the section headed "Connected Transactions" in this prospectus. Those Connected Companies include Sabina, Sincerely International, Stella Tannery, Sanford International, Xintan Footwear and Huizhou Stella, in each of which Mr. Jimmy Chen indirectly owns 50% of the equity interests, and Shenandoah, in which he owns 15% of its entire issued share capital. Brief descriptions of those companies are set out below:

	Principal Business	Location of Production Facility	Approximate Annual Production Capacity
Sabina	Manufacture and sale of plastic products	Daling Village, Dalingshan County, Dongguan City, China (東莞市大嶺山鎮大嶺村)	360,000 pairs of lasts in 2006
Sincerely International	Manufacture and sale of various types of molds	Daling Village, Dalingshan County, Dongguan City, China (東莞市大嶺山鎮大嶺村)	5,000 units of molds in 2006
Stella Tannery	Manufacture of leather and tannery products	Xinhu Industrial Development Zone, Maan County, Huicheng District, Huizhou, China (惠州市惠城區馬安鎮新湖工業開發區)	12 million sq.ft. of tannery products in 2006
Sanford International	Manufacture of sole materials	Overseas Chinese Industrial Zone No. 3, Dalingshan County, Dongguan City, China (東莞市大嶺山鎮華僑工業區3區)	13 million pairs of soles in 2006
Xintan Footwear	Manufacture of sole materials	Daling Village, Dalingshan County, Dongguan City, China (東莞市大嶺山鎮大嶺村)	35,000 pairs of soles in March 2007
Huizhou Stella	Manufacture and sale of footwear components	Xinhu Industrial Development Zone, Maan County, Huicheng District, Huizhou, China (惠州市惠城區馬安鎮新湖工業開發區)	4 million pairs of soles in 2008 (estimated)
Shenandoah	Trading	No. 40, Zhoh Shi, Din Shi Li, Huwet Town, Yuu Lin Hsien, Taiwan (雲林縣虎尾鎮頂溪裡過溪40號)	Not applicable

The business conducted by the Connected Companies can be differentiated from our business in the following manner: (i) the Connected Companies require a small labor force or operation with less technical skills, whereas the Group requires a larger workforce, a significant number of which have technical or mechanical skills that are essential as part of a value-added manufacture and design-based business; (ii) the nature and type of the raw materials and components utilized are different resulting in their being supplied by a separate group of suppliers; (iii) although some of the Connected Companies are located reasonably close to our own factories, the actual locations of the production facilities are different and the production facilities of the Connected Companies are separate from our own factories; and (iv) the type of machinery used in the production facilities are different. As such, the Directors are of the view that the Connected Companies do not compete and are not in a position to compete with us.

Below is a summary of the amount of sales to the Group by each of the Connected Companies and a comparison of those sales to the Group with the total amount of sales of each Connected Companies for each of the three years ended December 31, 2006.

	Amount of Sales to the Group (US$'000) and as a Percentage to the Amount of their Total Sales For the Year Ended December 31,		
	2004	2005	2006
Sabina	—	386 (87%)	1,140 (77%)
Sincerely International	1,029 (20%)	1,389 (23%)	2,623 (56%)
Stella Tannery	—	—	12,144 (62%)
Sanford International	3,575 (52%)	3,276 (50%)	9,281 (50%)
Xintan Footwear	—	—	—
Huizhou Stella	—	—	—
Shenandoah	26,234 (100%)	24,089 (100%)	21,642 (100%)

Although the Group may be considered by the Connected Companies as one of the larger customers in terms of the sales volume, the Group places no reliance on the Connected Companies for the supply of the relevant raw materials and components, as these raw materials and components are also readily available from other third-party suppliers at comparable prices in the open market. Also, the Group's total purchase of raw materials and components from the Connected Companies for each of the three years ended December 31, 2006 represents 12.2%, 9.5% and 12.7% of the Group's total purchases of raw materials and components, respectively.

Since the Group's core business is related to the wholesale and retail of branded footwear, including the development, manufacture and sale of branded footwear products, rather than that of supplying raw materials and manufacturing components, we do not believe that the other businesses in which Mr. Jimmy Chen has ownership interests compete, or may compete, directly or indirectly with the Group's business.

The raw materials and footwear components businesses in which Mr. Jimmy Chen has interests, which either (i) manufacture products that are readily and widely available from other third-party suppliers or (ii) trade or source raw materials and machinery, are considered as low value-added businesses. The Group's strategy is to focus on the design, development, manufacture and sale of branded footwear products which are considered high value-added businesses. In addition, the Group has placed no reliance on those raw materials and footwear components manufactured or sourced by the Connected Companies. Furthermore, the role of Shenandoah will be replaced by the Group's branch in Taiwan, which will act as the Group's liaison and sourcing arm in Taiwan, from 2008 onward. As such, those other companies in which Mr. Jimmy Chen has ownership interests, including the Connected Companies, which includes Shenandoah, could be delineated from that of the Group after Listing and are not included as part of the Group.

In addition, the associates of Mr. Jimmy Chen, including the Connected Companies, have management teams distinct from those persons managing the Group and are therefore managed and operated independently of the Group and Mr. Jimmy Chen. Apart from being an investor in his associates, Mr. Jimmy Chen confirms that he is not involved in the daily management of any of them. Furthermore, the Group is not financially reliant on the associates of Mr. Jimmy Chen or vice versa.

As far as the Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue, without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be taken by any person under the Global Offering and which would affect disclosure in this section, the following person will have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long positions in the Shares and underlying Shares

Name of Interested Party	Capacity / Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Cordwalner Bonaventure Inc.	Beneficial Owner	585,000,000	75%

Save as disclosed herein, the Directors are not aware of any person who immediately following the Global Offering and the Capitalization Issue, will have an interest or a short position in the Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group and are therefore regarded as our substantial Shareholder under the Listing Rules.

Immediately following completion of the Global Offering and the Capitalization Issue, without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option, the share capital of our Company would be as follows:

	Number of Shares	Value
Authorized share capital	5,000,000,000	HK$500,000,000
Shares in issue as of the date of this prospectus	1,000,000	100,000
Shares to be issued pursuant to the Global Offering	195,000,000	19,500,000
Shares to be issued pursuant to the Capitalization Issue	584,000,000	58,400,000
Total	780,000,000	78,000,000

RANKING

The Offer Shares will rank equally in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus except for the entitlement under the Capitalization Issue and the special dividend declared on June 15, 2007 as referred to in the section headed "Dividends, Dividend Policy and Distributable Reserves – Dividends" in this prospectus.

LONG TERM INCENTIVE SCHEME

The Company has conditionally adopted the Long Term Incentive Scheme, whereby employees and directors of the Group, among others, may be granted Awards, being options to subscribe for Shares, restricted share awards and/or restricted share units. Upon Listing, the total number of Shares available for issue or transfer in satisfaction of all Awards which may be granted under the Long Term Incentive Scheme and any other schemes of the Company must not, in aggregate, exceed 78,000,000 Shares, representing 10% of the Shares in issue on the Listing Date (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option), subject to an annual cap of 39,000,000 Shares, representing 5% of the Shares in issue on the Listing Date (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option), that may be issued by the Company to satisfy any restricted share awards or restricted share units. The annual cap of 5% of the total issued share capital of the Company as of the beginning of each financial year subsequent to Listing which may be issued by the Company to satisfy restricted share awards or restricted share units shall be renewable by Shareholders in general meeting.

The principal terms of the Long Term Incentive Scheme are summarized in the section headed "Long Term Incentive Scheme" in Appendix VI "Statutory and General Information" to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Global Offering becoming unconditional, the Directors have been granted a general mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option); and

(ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The Directors may, in addition to Shares that are authorized to be issued under the mandate, allot, issue or deal in Shares under a rights issue, scrip dividend scheme or similar arrangement.

This mandate will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors.

For further details of this general mandate, see section headed "Further Information About Our Company – Resolutions of the Company's sole shareholder passed on June 15, 2007" in Appendix VI "Statutory and General Information" to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option).

This mandate relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. A summary of the relevant Listing Rules is set forth in the section headed "Further Information About Our Company – Repurchase of the Company's Own Securities" in Appendix VI "Statutory and General Information" to this prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(iii) the revocation or variation of this mandate by an ordinary resolution of the Shareholders in a general meeting.

The following table sets forth summary audited combined financial data about our Company. We have derived the combined financial data for the years ended December 31, 2004, 2005 and 2006 from our audited combined financial statements set forth in the accountants' report in Appendix I to this prospectus. The summary combined financial data should be read together with, and is qualified in its entirety by reference to, these combined financial statements, including the related notes.

	For the Year Ended December 31,		
	2004	2005	2006
	(in thousands, except earnings per share)		
Income Statement Data:			
Revenue	US$ 575,353	US$ 668,926	US$ 779,346
Cost of sales	(462,074)	(522,554)	(613,686)
Gross profit	113,279	146,372	165,660
Other income	6,885	14,232	15,007
Selling and distribution costs	(22,299)	(27,563)	(31,666)
Administrative expenses	(22,879)	(22,680)	(28,876)
Research and development costs	(21,880)	(24,514)	(26,403)
Finance costs	(13)	(31)	(91)
Profit before taxation	US$ 53,093	US$ 85,816	US$ 93,631
Taxation	(324)	(394)	(2,257)
Profit for the year	US$ 52,769	US$ 85,422	US$ 91,374
Earnings per share – basic	US$ 0.090	US$ 0.146	US$ 0.156
Balance Sheet Data:			
Non-current assets	US$ 137,174	US$ 141,337	US$ 154,683
Current assets	264,717	345,352	408,288
Total assets	US$ 401,891	US$ 486,689	US$ 562,971
Current liabilities	83,494	110,671	123,650
Total liabilities	83,494	110,671	123,650
Total equity	318,397	376,018	439,321
Total liabilities and equity	US$ 401,891	US$ 486,689	US$ 562,971

You should read the following discussion and analysis of our financial condition and results of operations together with our audited combined financial statements for the years ended December 31, 2004, 2005 and 2006 and the accompanying notes set forth in the accountants' report in Appendix I to this prospectus. The audited combined financial statements were prepared in accordance with HKFRS.

OVERVIEW

We develop and manufacture footwear products for leading casual and fashion footwear brand companies worldwide. Our customers include six of the top ten casual footwear companies, based on revenue in 2005, and leading fashion footwear companies and high-fashion brands. In addition, we design, develop and manufacture private label footwear for several well-known large chain-store retailers.

We manufacture footwear at our facilities in Guangdong Province, China, and through processing and contractual arrangements in both China and Vietnam. We have the flexibility to manufacture a broad range of customized designs, ranging from men's to women's shoes and from casual to fashion footwear, with short lead times, and the scale to achieve cost efficiency. We also provide footwear development services, which involve realizing design concepts into prototypes and producing samples. In addition, we also provide fashion footwear design services.

We began designing, developing, manufacturing and retailing Stella Luna women's fashion footwear in China in March 2006. We also sell Stella Luna handbag and other leather goods and Guess women's fashion footwear in our retail stores and shops.

With our experienced management team, we have grown our business substantially since our inception in 1982. In 2004, 2005 and 2006, our revenue was US$575.4 million, US$668.9 million and US$779.3 million, respectively. In 2004, 2005 and 2006, our profit for the year was US$52.8 million, US$85.4 million and US$91.4 million, respectively.

MAJOR FACTORS AFFECTING OUR PERFORMANCE

Our business, financial position and results of operations, as well as the period-to-period comparability of our results of operations, are significantly affected by a number of factors, some of which are beyond our control, including:

- **Demand for Our Products**. Demand for our products is largely driven by demand for casual and fashion footwear, which in turn depends on general economic conditions including population growth and the growth of the middle class in developing countries. Our business has grown as demand for footwear products has grown. In addition, demand for our products is affected by seasonality.
- **Cost of Raw Materials**. The cost of raw materials comprises a significant portion of our cost of sales. The market prices of some of the raw materials required in the manufacture of footwear, including leather, are volatile and affected by many factors beyond our control. However, as we typically price our products on a cost-plus basis, this allows us to mitigate the impact of such fluctuations. If raw material prices increase and the selling prices for our footwear do not increase in an amount sufficient to offset the effect of such increases, our profitability may be adversely affected.
- **Product Mix**. The mix of products that we sell affects our results of operations. The mix of products demanded by our customers varies depending on a variety of factors including general economic conditions and consumer preferences. Fashion footwear has typically commanded higher average selling prices and resulted in higher gross profit margins than casual footwear. Casual footwear has generally had lower average realized sales price and gross margins, but has tended to be less affected by changes in general economic conditions.

- **Capacity Constraints and Third-Party Outsourcing**. We have been operating at close to full capacity at all of our existing footwear manufacturing facilities. Our ability to increase revenue, profit and cash flow depends, in part, upon our ability to achieve higher levels of production with our existing facilities and to expand by adding new manufacturing capacity. At the end of 2006, our annual manufacturing capacity (which includes manufacturing capacity made available to us under processing and/or contractual arrangements) was approximately 45.0 million pairs of footwear per year, and comprised floor space of 351.8 thousand square meters and 103 production lines. We plan to increase our capacity to approximately 48.0 million pairs of footwear per year by the end of 2007, through the addition of a new plant in Huizhou that is expected to be completed by the end of 2007 and expected to have floor space of approximately 60,000 square meters and 10 production lines, in addition to our ongoing continuous operational enhancement efforts. Besides using manufacturing capacity available to us under our processing and/or contractual arrangements, we also outsource some of our products and components to unaffiliated third-party manufacturers, particularly in times of peak demand when our internal manufacturing capacity is insufficient. In general, footwear produced by outsourcing results in lower overall margins. We currently outsource approximately half of our private label products so as to focus our own manufacturing capacity on higher-margin products such as women's fashion footwear.

- **Labor Cost**. Footwear production is labor intensive. We operate in a competitive market for skilled labor and our workforce requires training and experience to reach desired levels of productivity. As a result of government-mandated wage increases, we have experienced labor cost increases over the past several years. Similar to other manufacturers in southern China, we have experienced a relatively high turnover among non-supervisory personnel. With a view toward reducing such turnover, we have sought to maintain competitive wages and have implemented a number of employee programs and introduced certain benefits, such as improved dormitory housing and recreational activities. Higher labor costs or increased turnover of skilled workers may significantly affect our profitability.

- **Tariffs and Duties.** We sell the substantial majority of our products to customers with shipment destinations in North America and Europe. Such overseas sales expose us to possible sales interruptions or cancellations and increased costs in the event of adverse actions by foreign government agencies with respect to trade. For example, on October 6, 2006, the EU issued an anti-dumping order that covered casual and fashion footwear products that we produce and sell. A 16.5% anti-dumping duty for footwear originating from China and a 10% anti-dumping duty for footwear originating from Vietnam were imposed on our exports to the EU. Such anti-dumping duties will expire on October 6, 2008.

- **Taxation**. Our future profits will be affected by changes in tax rates, particularly the effective tax rates payable in China. PRC enterprise income tax is calculated based on taxable income determined by PRC accounting principles. Under PRC law, foreign invested enterprises, or FIEs, which are manufacturers with more than ten years of operations are exempt from paying income tax for a period of two years starting from the year when the FIEs begin to make a profit, and thereafter enjoy a 50% reduced tax rate for the following three years. A majority of our income from China is currently derived from two manufacturing FIEs, Dongguan Stella Footwear and Longchuan Simona Footwear. These tax exemptions and preferential tax rates will expire for Dongguan Stella Footwear in 2010 and for Longchuan Simona Footwear in 2009. Please refer to the section headed "– Combined Results of Operations – Description of Certain Income Statement Line Items – Taxation – PRC Enterprise Income Tax" in this prospectus.

- **Seasonality**. We experience seasonal fluctuations in our revenue. We typically manufacture and sell the highest volume of footwear in the third and fourth quarter to fill remaining orders of the fall/winter season and new orders for the spring/summer line for the following year. Our average selling price is typically higher during the third quarter when winter footwear is produced, reflecting a higher average cost per pair of footwear, as footwear produced for winter (such as boots) require more raw materials.

CRITICAL ACCOUNTING POLICIES

We have identified below the accounting policies that we believe are the most critical to our audited combined financial statements. These accounting policies require the most difficult, subjective or complex judgments of our management, often as a result of the need to make estimates about the effect of matters which are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to our audited combined financial statements. The estimates and associated assumptions are based on historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. Actual results may differ from these estimates.

We review our estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery and transfer of title have occurred and the price is fixed or determinable and collectibility is reasonably assured. Under these criteria, revenue from the sale of our products is recognized net of accruals for estimated sales returns and allowances based on historical experience.

We extend credit terms only to a limited number of customers and receive cash for the majority of the sales transactions before we deliver our products which we record as advances from customers. For customers to which we provide credit terms, we have assessed a number of factors to determine whether collection from them is probable, including past transaction history with them and their credit-worthiness. If we determine that collection is not reasonably assured, we defer the recognition of revenue until collection becomes reasonably assured, which is generally upon receipt of payment.

Inventories

We state inventories at the lower of cost and net realizable value. We record adjustments to write down the cost of obsolete or excess inventory to the estimated net realizable value based on historical and forecasted demand. Determination of net realizable value of inventories involves numerous judgments, including projecting average selling prices and sales volumes for future periods and costs to complete products in work in process inventories. To project average selling prices and sales volumes, we review recent sales volumes, existing customer orders, current contract prices, industry analysis of supply and demand, seasonal factors, general economic trends and other information. When these analyses reflect estimated market values below our manufacturing costs, we record a charge to cost of revenue in advance of when the inventory is actually sold. Differences in forecasted average selling prices used in calculating the lower of cost or market adjustments can result in significant changes in the estimated net realizable value of product inventories and accordingly the amount of write-down recorded.

Depreciation of Property and Equipment

We depreciate our property and equipment at rates sufficient to write off their costs less accumulated impairment losses and estimated residual values over their estimated useful lives on a straight-line basis. We review the useful lives periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of economic benefits from fixed assets. We estimate the useful lives and the residual values of the fixed assets based on our historical experience with similar assets, taking into account anticipated technological changes. The depreciation expense in future periods will change if there are significant changes from previous estimates.

Impairment of Long-Lived Assets

We assess the impairment of long-lived assets when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of the assets to the estimated future undiscounted cash flows to be produced by the assets. If the total of the estimated future undiscounted cash flow is less than the carrying value, impairment is present and a loss is recognized in the statement of income for the difference between the total of the estimated future undiscounted cash flow and the carrying value of the assets. The future undiscounted cash flow is based on management's estimates and assumptions with respect to future revenue, cost of revenue and operating expenses. We cannot provide you with any assurances that actual results will be equal to our estimates.

Basis of Presentation

In preparation for the Global Offering, we were incorporated in the Cayman Islands on March 5, 2007. Pursuant to the Reorganization, Cordwalner Bonaventure Inc. transferred to us all their interests in the businesses that we now conduct. Please refer to section headed "History and Corporate Structure" in this prospectus and to Appendix VI "Statutory and General Information" to this prospectus for a description of the Reorganization.

For purposes of this prospectus, the audited combined income statements, combined cash flow statements and combined statements of changes in equity and other combined financial and operational data for each of the three years ended December 31, 2004, 2005 and 2006, to which the following discussion relates, have been prepared as if our structure had been in existence throughout each of the three years ended December 31, 2006, or since their respective dates of incorporation or establishment, whichever is the shorter period. The combined balance sheets as of December 31, 2004, 2005 and 2006 present the assets and liabilities of the companies which had been incorporated or established as of those dates as if our current structure had been in existence at those dates. However, the combined financial and operational data presented in this prospectus do not purport to be indicative of what our actual financial and operational data would have been if our current structure had been in existence since January 1, 2004.

The financial information presents the results of SIL, N.O.I. Holding Company Limited and Stella Footwear Inc. on a combined basis because pursuant to agreements signed between SIL and N.O.I Holding Company Limited and between SIL and Stella Footwear Inc., SIL has full control to govern the financial and operating policies of N.O.I Holding Company Limited and Stella Footwear Inc. from their respective dates of incorporation. Accordingly, N.O.I. Holding Company Limited and Stella Footwear Inc. were our wholly owned subsidiaries throughout the Track Record Period. Further, in October 2006, N.O.I Holding Company Limited and Stella Footwear Inc. allotted new ordinary shares and SIL transferred all ordinary shares in N.O.I. Holding Company Limited and Stella Footwear Inc. to certain ultimate shareholders of the Company. The allotments and transfers were made in connection with the application by the ultimate Taiwan shareholders of the Company to the Taiwan Investment Commission for approval of their respective investments in the PRC members of the Group. The Taiwan Investment Commission has subsequently approved these investments in January 2007.

COMBINED RESULTS OF OPERATIONS

Selected Combined Financial Information

The following table sets forth, for the periods indicated, selected income statement data as a percentage of revenue.

	For the Year Ended December 31,		
	2004	2005	2006
Revenue	100.0%	100.0%	100.0%
Cost of sales	(80.3)	(78.1)	(78.7)
Gross profit	19.7	21.9	21.3
Other income	1.2	2.1	1.9
Selling and distribution costs	(3.9)	(4.1)	(4.1)
Administrative expenses	(4.0)	(3.4)	(3.7)
Research and development costs	(3.8)	(3.7)	(3.4)
Finance costs	(0.0)	(0.0)	(0.0)
Profit before taxation	9.2	12.8	12.0
Taxation	(0.0)	(0.0)	(0.3)
Profit for the year	9.2%	12.8%	11.7%

Description of Certain Income Statement Line Items

Revenue

We generate revenue primarily from sales of casual and fashion footwear. Our business is organized into three segments: men's footwear, women's footwear and footwear retailing, representing 44.9%, 54.8% and 0.3%, respectively, of our total revenue in 2006. Given the different footwear segments in which our customers operate, we further categorize our men's footwear into men's casual and men's fashion footwear, and further categorize our women's footwear into women's casual, women's fashion and women's private-label footwear. The following table sets forth, for each of the three years ended December 31, 2006, our sales volume and revenue by segment and product type and the percentage of revenue represented by each.

	2004			2005			2006		
	Sales Volume	Amount	Percentage of Total Revenue	Sales Volume	Amount	Percentage of Total Revenue	Sales Volume	Amount	Percentage of Total Revenue
	(in thousands)	(in thousands)		(in thousands)	(in thousands)		(in thousands)	(in thousands)	
Men's Footwear									
Casual	12,131	US$220,220	38.3%	12,814	US$249,023	37.2%	13,250	US$262,909	33.7%
Fashion	2,337	47,577	8.3	2,903	63,395	9.4	3,844	84,495	10.8
Others	—	6,023	1.1	—	1,765	0.3	—	2,855	0.4
Subtotal	14,468	US$273,820	47.7%	15,717	US$314,183	46.9%	17,094	US$350,259	44.9%
Women's Footwear									
Casual	10,527	161,203	28.0	12,125	205,537	30.7	14,826	250,827	32.2
Fashion	7,394	106,239	18.4	7,042	120,313	18.0	7,646	136,480	17.5
Private	3,378	29,957	5.2	2,929	26,535	4.0	3,820	35,502	4.6
Others	—	4,134	0.7	—	2,358	0.4	—	3,677	0.5
Subtotal	21,299	US$301,533	52.3%	22,096	US$354,743	53.1%	26,292	US$426,486	54.8%
Retail	—	—	—	—	—		*	2,601	0.3
Total	35,767	US$575,353	100.0%	37,813	US$668,926	100.0%	43,386	US$779,346	100.0%

* less than 500

(1) Includes revenue from the sale of samples, discounts and foreign exchange adjustments.

(2) Sales volume refers to footwear only, while revenue data includes those from the sale of non-footwear products.

In 2006, our top five and top ten customers accounted for approximately 59.6% and 82.1%, respectively, of our revenue for the year. Each of Clarks and Timberland contributed over 10.0% of our revenue in each of 2004, 2005 and 2006. We expect that sales to our top customers will vary from period to period as our sales are typically made pursuant to individual purchase orders, rather than long-term commitments. In addition, as we continue to expand our casual and fashion footwear business, we expect our overall customer composition, as well as the identity and concentration of our top customers, to change from period to period.

In each of 2004, 2005 and 2006, a significant portion of our revenue was derived from sales to customers with shipment destinations in North America and Europe. The following table sets forth, for the periods indicated, a breakdown of our combined revenue by the regions to which our products were delivered.

	For the Year Ended December 31,					
	2004		2005		2006	
	Amount	Percentage of Total Revenue	Amount	Percentage of Total Revenue	Amount	Percentage of Total Revenue
	(in thousands, except percentages)					
United States	US$394,231	68.5%	US$447,903	67.0%	US$485,520	62.3%
Europe	130,117	22.6	168,839	25.2	221,153	28.4
Asia (other than the PRC)	16,462	2.9	19,931	3.0	25,703	3.3
The PRC (including Hong Kong)	10,789	1.9	14,423	2.2	22,923	2.9
Others	23,754	4.1	17,830	2.6	24,047	3.1
Total	US$575,353	100.0%	US$668,926	100.0%	US$779,346	100.0%

In March 2006, we began retailing Stella Luna women's fashion footwear, handbag, and other accessories, and Guess women's fashion footwear. Footwear retailing accounted for 0.3% of our total revenue in 2006.

Cost of Sales

Our cost of sales primarily consist of costs of raw materials and components, labor, depreciation and equipment and outsourcing. Our two primary costs are raw materials and purchase of finished goods under our processing agreements.

The following table sets forth the component of our cost of sales and as a percentage of total revenue for the periods indicated.

	For the Year Ended December 31,								
	2004			2005			2006		
	Amount	Percentage of Total Revenue	Percentage of Total Cost of Sales	Amount	Percentage of Total Revenue	Percentage of Total Cost of Sales	Amount	Percentage of Total Revenue	Percentage of Total Cost of Sales
	(in thousands, except percentages)								
Raw materials and components	US$253,461	44.1%	54.9%	US$305,684	45.7%	58.5%	US$367,938	47.2%	60.0%
Purchases of finished goods(1)	85,998	14.9	18.6%	76,136	11.4	14.6%	93,595	12.0	15.3%
Labor	48,367	8.4	10.5%	56,894	8.5	10.9%	75,691	9.7	12.3%
Subcontracting(2)	23,394	4.1	5.1%	19,754	3.0	3.8%	18,102	2.3	2.9%
Depreciation	6,111	1.1	1.3%	8,262	1.2	1.6%	9,356	1.2	1.5%
Others(3)	44,743	7.8	9.6%	55,824	8.3	10.6%	49,004	6.3	8.0%
Total	US$462,074	80.4%	100.0%	US$522,554	78.1%	100.0%	US$613,686	78.7%	100.0%

(1) Primarily consists of purchases of finished goods from third-party manufacturers in China and from manufacturing facilities we use in Vietnam pursuant to contractual arrangements.
(2) Primarily consists of fees paid to third-party manufacturers for the manufacturing of footwear components.
(3) Primarily includes consumable, freight, fuel, mold and tool, repair and maintenance, and utility.

Other Income

Other income primarily consists of foreign exchange gain, retail income, interest income and gain on disposal of financial and miscellaneous income.

The other income includes the rental income on the plant and equipment leased to a supplier in Vietnam. There was no agreement signed for this lease arrangement, and, accordingly, the committed minimum lease payments to be received by the Group did not include such rental income.

Operating Expenses

Our operating expenses primarily consist of selling and distribution costs, administrative expenses, research and development costs and finance costs.

Selling and Distribution Costs

Selling and distribution costs primarily consist of salaries, bonuses, benefits and related costs for sales and marketing personnel, travel and other expense related to sales and marketing activities, and sales commissions to our distributors.

Administrative Expenses

Administrative expenses primarily consist of salaries, bonuses, benefits and related costs for administrative personnel, travel, lease and other expenses for general and administrative purposes, as well as costs for outside services, including legal and accounting services.

Research and Development Costs

Research and development costs consist of costs incurred in developing prototypes, including primarily salary and wages of research and development personnel and raw materials used in prototypes and sales samples.

Taxation

Cayman Islands Tax

Under the current laws of the Cayman Islands, we are not subject to tax on our income or capital gains. In addition, our payment of dividends is not subject to withholding tax in the Cayman Islands.

PRC Enterprise Income Tax

PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles. In accordance with "Income Tax of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises," or the Income Tax Law, and the related implementing rules, FIEs located in Dongguan and Longchuan, Guangdong Province which are manufacturers with fewer than ten years of operations, are subject to a reduced enterprise income tax rate of 24% and a local enterprise income tax rate of 3%. In accordance with the Income Tax Law and the related implementing rules, such FIEs are exempt from paying enterprise income tax for a period of two years starting from the year when such FIE begins to make a profit, and thereafter enjoy a 50% reduced tax rate for the following three years (the "Tax Holidays"). According to tax regulations promulgated by the Guangdong Provincial government on April 24,1992, FIEs located in Guangdong Province are exempt from the local enterprise income tax of 3% during the Tax Holidays.

Our two PRC manufacturing FIEs, Dongguan Stella Footwear and Longchuan Simona Footwear, located in Guangdong Province, are subject to enterprise income tax of 27% outside of the Tax Holidays. However, during the Tax Holidays, the applicable enterprise income tax rates are 0% during the two-year exemption period and 12% during the three-year 50% reduction period.

The scale of operations of these two PRC manufacturing FIEs was increased during the three years ended December 31, 2006 and more profits were generated by the FIEs. However, we did not pay taxes on these profits generated because of the Tax Holidays.

During the three years ended December 31, 2006, the Group made additional tax provisions in the PRC because certain suppliers were unable to supply us with valid value-added-tax invoices that we needed to claim a tax deduction.

For the purpose of the HKFRS, the enterprise income tax status for Dongguan Stella Footwear and Longchuan Simona Footwear is as follows:

	Two-Year Tax Exemption Period (Tax Rate: 0%)	Three-Year 50% Reduction Period (Tax Rate: 12%)	Tax Holidays Expire (Tax Rate: 25%)
Dongguan Stella Footwear	2005 and 2006	2007, 2008 and 2009	2010 and onward
Longchuan Simona Footwear	2004 and 2005	2006, 2007 and 2008	2009 and onward

If any of our PRC manufacturing FIEs ceases to qualify for the preferential enterprise income tax rate, we will consider available options under applicable law that would enable us to qualify for further preferential tax treatment. To the extent we are unable to offset the expiration of this preferential tax treatment with new tax exemptions, tax incentives or other tax benefits, our effective tax rate will increase. The amount of income tax payable by our PRC manufacturing FIEs in the future will depend on various factors, including, among other things, the results of operations and taxable income of, and the statutory tax rate applicable to, our PRC manufacturing FIEs, and our effective tax rate depends partially on the extent of each of our FIEs' relative contribution to our combined taxable income.

On March 16, 2007, the Tenth National People's Congress enacted the new Enterprise Income Tax Law (the "New Tax Law"), which unifies the income tax treatment of domestic and foreign enterprises in the PRC. The new taxation system will take effect for the 2008 tax year with some provisions having immediate effect. The New Tax Law provides for a 25% statutory rate that applies to both domestic and foreign-funded enterprises and, subject to transition relief, enterprises that have enjoyed preferential treatment.

The New Tax Law includes a "grandfather rule" for existing preferential tax arrangements, including the Tax Holidays, whereby incentives for projects already approved will generally be allowed to continue to their conclusion, provided they conclude by 2012. Tax Holidays for FIEs not having their first profit-making year before January 1, 2008 will nevertheless commence from that date and will conclude by December 31, 2012. The language of the grandfather rule is subject to further interpretation to be issued.

Our PRC two manufacturing subsidiaries, i.e., Dongguan Stella Footwear and Longchuan Simona Footwear, have been enjoying the Tax Holidays from 2005 and 2004, respectively. Based on the New Tax Law, Dongguan Stella Footwear and Longchuan Simona can continue enjoying the Tax Holidays to their expiration.

Transfer Pricing Adjustments

Dongguan Stella Footwear and Longchuan Simona Footwear, or together, the PRC Entities, sell footwear to SIL. Under PRC tax regulations, these sales constitute intercompany pricing arrangements, or Intercompany Arrangements, which may expose these PRC Entities to tax liabilities.

In view of the intercompany transactions, the management took the initiative to conduct the transfer pricing study on the pricing policy.

During the Track Record Period, the Company has engaged Deloitte Touche Tohmatsu to prepare a transfer pricing study of the intercompany transactions with its major PRC manufacturing subsidiaries from the PRC transfer pricing perspective. The benchmark study found that the net cost plus rate of the selected comparables with a substantially similar function and risk profile to that of the Company located in the Asia Pacific region ranged from 5.16% to 11.95%. Accordingly, the Company has established a tax provision for potential tax liabilities relating to transfer pricing adjustment based on the benchmark study report and believes that such tax provision is sufficient.

SIL is an international company incorporated in Vanuatu in September 1996 and has no other permanent place of business establishment in any jurisdiction outside of Vanuatu. During the Track Record Period, SIL entered into Import Processing ("IP") arrangements with PRC entities including the Group's wholly owned subsidiaries, Dongguan Stella Footwear and Longchuan Simona Footwear. Under the IP arrangements, the PRC entities are the manufacturing entities. They purchased raw materials from SIL and from domestic third parties for processing. All the finished goods of the PRC entities were sold to SIL for onward selling. SIL was primarily responsible for sales and customer relationship activities of the Group and did not carry out any manufacturing activities during the Track Record Period. SIL had about seven members of management and employees who were ordinarily resident in one of the following places: Hong Kong, the PRC, Taiwan or North America but were traveling around Asia, Europe and North America for discharging their sales and customer related duties. Therefore, SIL has no fixed place of business to carry out its operations. The two directors of SIL, being an individual director (who was ordinarily resident in Hong Kong) and a corporate director (incorporated in Vanuatu), exercised their power and authority by way of written board resolutions instead of holding board meetings.

SIL mainly subcontracted to and engaged other companies to render services. The companies include third-party procurement companies in Taiwan and Selena Footwear Inc., a company in the Group. SIL in turn paid them a service fee based on the market rate. SIL should not be exposed to tax in the jurisdictions where the subcontractors were located. Vanuatu does not require filing of tax returns and therefore SIL was not required any tax return in any jurisdiction during the Track Record Period. On the other hand, Selena Footwear Inc. made tax provisions for the profit earned. The IP arrangements were registered with the PRC authorities, and the PRC tax authorities have not raised any inquires or concerns relating to the taxability of the IP arrangements on SIL. Our PRC legal advisers have confirmed that the IP arrangements comply with PRC tax laws and regulations.

The PRC tax authority may review the intercompany transactions to check if the intercompany transactions were performed on an arm's-length basis. To date, the PRC tax authorities have not challenged our pricing policy. As such, it would not be feasible for us to quantify the maximum amount of potential transfer pricing adjustments. Moreover, the PRC tax impact on the potential transfer pricing adjustments based on the internal transfer pricing study has already been included in the accountants' report.

Companies do not have to apply advance pricing arrangement ("APA") under the prevailing PRC regulations at present. The PRC tax authority may decide not to accept an application initiated by the taxpayer. The management believes it is not an appropriate timing for the application of APA in the PRC at present.

The management has duly considered the tax provision made in the accountants' report to be sufficient. The Group is not subject to tax in any jurisdiction other than the PRC.

The relevant PRC tax bureau may assess whether we have priced our Intercompany Arrangements on an arm's-length basis. In the event that the relevant PRC tax bureau determines that our tax provisions are insufficient, transfer pricing adjustments may be imposed, in which case our tax provisions would be required to be increased. However, the Directors are of the view that the transfer pricing study is a reasonable attempt at calculating the appropriate amount of our tax provision and the likelihood that transfer pricing adjustments will be imposed is remote.

Hong Kong Tax

No provision for Hong Kong Profits Tax has been made, as our profit neither arose in, nor was derived from, Hong Kong during the three years ended December 31, 2006.

REVIEW OF HISTORICAL OPERATING RESULTS

2006 Compared to 2005

Revenue

Our revenue increased by 16.5% to US$779.3 million in 2006 from US$668.9 million in 2005, primarily due to an increase in the sales volume of our products. The average realized sales prices for our products remained relatively stable. The sales volume of our products increased by approximately 14.8% to 43.4 million pairs in 2006 from 37.8 million pairs in 2005, primarily as a result of increases in the sales volume of women's casual, fashion and private-label footwear. The increase in total sales volume was made possible by an increase in total manufacturing capacity due to the availability in 2006 of our wholly owned Dalingshan-4 Plant, which increased our annual manufacturing capacity by two million pairs by year-end 2006, and also in part to an increase in subcontracting of the manufacture of certain components. The sales volume and the average selling price for each period depend on the product mix of orders from our customers and our preference as to what customers to pursue. In recent years, we have been focusing on fashion footwear customers and have accordingly increased our capacity for fashion footwear production.

Cost of Sales

Cost of sales increased by 17.4% to US$613.7 million in 2006 from US$522.6 million in 2005, primarily as a result of an increase in sales volume and an increase in labor costs of 33.0%, due to higher wages and an increase in head count. The increase in cost of sales was also due to an increase in subcontracting costs due to our decision to subcontract a larger percentage of our component manufacturing. The portion of our cost of sales accounted for by raw materials and components increased to 47.2% in 2006 from 45.7% in 2005, primarily as a result of an increase in the proportion of women's footwear produced, particularly fashion footwear, which typically requires more expensive materials.

Gross Profit

As a result of the foregoing, our gross profit increased by 13.2% to US$165.7 million in 2006 from US$146.4 million in 2005, and our gross margin decreased to 21.3% from 21.9%.

Other Income

Other income increased by 5.4% to US$15.0 million in 2006 from US$14.2 million in 2005, primarily due to a compensation income of US$3.7 million and an increase in interest income on debentures of US$1.9 million. The compensation income was a one-off payment received by us from an independent financial institution to compensate us for losses incurred in 2006 for certain investment portfolios managed by such financial institution.

Selling and Distribution Costs

Our selling and distribution costs increased by 14.9% to US$31.7 million in 2006 from US$27.6 million in 2005, primarily due to increase in sales activity, and in part due to increases in factory expenses to US$5.3 million in 2006 from US$3.3 million in 2005, which was partially offset by a decrease in discretionary performance-based bonuses paid to customer service and sales staff to US$6.0 million in 2006 from US$8.6 million in 2005.

Administrative Expenses

Administrative expenses increased by 27.3% to US$28.9 million in 2006 from US$22.7 million in 2005, primarily due to increases in wages and benefits, consumables expense, investment loss and reimbursement of tax expenses paid to the applicable counterparties under our PRC processing agreements. We reimbursed the entire amount of the taxes paid by the respective parties with whom we entered into a processing agreement for the Changan-1 Plant, the Changan-2 Plant, the Changan-3 Plant and the Dalingshan-1 Plant. We reimbursed US$2.0 million for the taxes paid by such entities in 2006. Please refer to the section headed "Business — Manufacturing Facilities — Manufacturing Facilities Used Pursuant to Processing Agreements" in this prospectus for further information regarding our arrangement to reimburse tax expenses for certain counterparties with whom we entered into processing agreements.

Research and Development Costs

Research and development costs increased by 7.7% to US$26.4 million in 2006 from US$24.5 million in 2005, primarily due to increases in raw materials consumed to US$11.2 million in 2006 from US$10.8 million in 2005 and increases in salary and wages to research and development staff to US$10.4 million in 2006 from US$8.5 million in 2005. The increases in raw materials consumed and in salary and wages were both primarily due to an increase in sales activity.

Profit before Taxation

Profit before taxation increased by 9.1% to US$93.6 million in 2006 from US$85.8 million in 2005. As a percentage of revenue, profit before taxation decreased to 12.0% in 2006 from 12.8% in 2005, as a result of the cumulative effect of the foregoing factors.

Taxation

Taxation increased by 472.8% to US$2.3 million in 2006 from US$0.4 million in 2005, primarily due to the expiration of the two-year tax exemption period with respect to our Longchuan Plant, which resulted in higher tax expenses. As a result of the foregoing, our effective income tax rate increased to 2.5% in 2006 from 0.5% in 2005.

Profit for the Year

Profit for the year increased by 7.0% to US$91.4 million in 2006 from US$85.4 million in 2005. As a percentage of sales revenue, profit decreased to 11.7% in 2006 from 12.8% in 2005, as a result of the cumulative effect of the foregoing factors.

2005 Compared to 2004

Revenue

Our revenue increased by 16.3% to US$668.9 million in 2005 from US$575.4 million in 2004, primarily due to increases in both the average realized sales price and sales volume of our products. The average realized sales price of our products increased by approximately 9.9% from 2004 to 2005, primarily as a result of increases in the average realized sales price for women's fashion, men's fashion and men's casual footwear and a shift of product mix toward the fashion segment, which has a higher average selling price. The sales volume of our products increased by approximately 5.6% to 37.8 million pairs in 2005 from 35.8 million pairs in 2004, primarily as a result of increases in the sales volume for men's casual footwear, partially offset by a slight decrease in the sales volume for women's private-label footwear. The increase in total sales volume were made possible by an increase in total manufacturing capacity as we expanded manufacturing capacity at our Longchuan Plant and ramped up our Dalingshan-3 Plant. The sales volume and the average selling price for each period depends on the product mix of orders from our customers and our preference as to what customers to pursue. In recent years, we have been focusing on fashion footwear customers and have accordingly increased our capacity for fashion footwear production.

Cost of Sales

Cost of sales increased by 13.1% to US$522.6 million in 2005 from US$462.1 million in 2004, primarily as a result of increased sales volume. The cost of raw materials and components increased by 20.6% to US$305.7 million in 2005 from US$253.5 million in 2004 and labor costs increased by 17.6% to US$56.9 million in 2005 from US$48.4 million in 2004. The portion of our cost of sales accounted for by raw materials and components increased from 2004 to 2005, primarily as a result of a change in product mix that saw the portion of our sales volume accounted for by men's footwear (for which raw materials and components typically account for a greater portion of cost of sales) increase. The portion of our cost of sales accounted for by labor increased from 2004 to 2005, primarily as a result of government-mandated wage increases and an increase in the number of employees.

Gross Profit

As a result of the foregoing, our gross profit increased by 29.2% to US$146.4 million in 2005 from US$113.3 million in 2004, and our gross margin increased to 21.9% in 2005 from 19.7% in 2004.

Other Income

Other income increased by 106.7% to US$14.2 million in 2005 from US$6.9 million in 2004, primarily due to gains on changes in fair value of financial assets of US$2.2 million and noncash foreign exchange gains of US$2.1 million for the year 2005. The gains on changes in fair value of financial assets were due to an increase in the value of our investments for trading, particularly from equity securities and debentures. Rental income also increased, from US$3.5 million in 2004 to US$4.2 million in 2005, primarily due to an increase of rental property and equipment leased to the owner of the manufacturing facility we use in Vietnam pursuant to contractual arrangements.

Selling and Distribution Costs

Our selling and distribution costs increased by 23.6% to US$27.6 million in 2005 from US$22.3 million in 2004, primarily due to increases in discretionary performance-based bonuses paid to customer service and sales staff from US$3.9 million in 2004 to US$8.6 million in 2005 and commission expenses paid to agents in the United States and Taiwan from US$3.0 million in 2004 to US$5.0 million in 2005.

Administrative Expenses

Administrative expenses decreased by 0.9% to US$22.7 million in 2005 from US$22.9 million in 2004.

Research and Development Costs

Research and development costs increased by 12.0% to US$24.5 million in 2005 from US$21.9 million in 2004, primarily due to increases in raw materials consumed to US$10.8 million in 2005 from US$9.0 million in 2004 and increases in direct salary and wages to research and development staff to US$7.6 million in 2005 from US$6.5 million in 2004. This amount was partially offset by decreases in development-related subcontracting fees as result of a decrease in subcontracting to US$0.7 million in 2005 from US$1.8 million in 2004, due to the expansion of our wholly owned Dalingshan facilities.

Profit before Taxation

Profit before taxation increased by 61.6% to US$85.8 million in 2005 from US$53.1 million in 2004. As a percentage of revenue, profit before taxation increased to 12.8% in 2005 from 9.2% in 2004, as a result of the cumulative effects of the foregoing factors.

Taxation

Taxation increased by 21.6% to US$0.4 million in 2005 from US$0.3 million in 2004, primarily as a result of increased profit before taxation. As a result of the increase in profit before taxation, our effective income tax rate decreased to 0.5% in 2005 from 0.6% in 2004.

Profit for the Year

Profit for the year increased by 61.9% to US$85.4 million in 2005 from US$52.8 million in 2004. Profit margin increased to 12.8% in 2005 from 9.2% in 2004, as a result of the cumulative effects of the foregoing factors.

LIQUIDITY AND CAPITAL RESOURCES

Prior to the Listing, we funded our operations principally from the proceeds from sales of our products. Our principal liquidity and capital requirements relate to the following:

- costs and expenses related to the operation of our business and the operation of our manufacturing facilities; and
- capital expenditures for the expansion of existing manufacturing facilities, relocation of manufacturing facilities and construction of new manufacturing facilities.

After the Listing Date, we expect to meet our liquidity needs from cash generated by our operations (to the extent available), bank borrowings and debt and equity financings, including the proceeds of the Global Offering.

As of December 31, 2006, we had net current assets of US$284.6 million. As of the same date and based on the same assumptions, net current assets would have comprised cash and cash equivalents in the amount of US$73.7 million, and other net current assets in the amount of US$210.9 million. For a discussion of a special dividend payable to our sole shareholder, Cordwalner Bonaventure Inc., prior to the Listing Date, please refer to the section headed "Subsequent Events" in this section. For a discussion on the related financing of the payment of such special dividend, please refer to the section headed "Indebtedness – Bank and Other Borrowings" in this section.

Our Directors are of the opinion that after taking into account the existing financial resources available to us, the expected internally-generated funds and the estimated net proceeds from the Global Offering, we have sufficient working capital for at least the next 12 months from the date of this prospectus.

During the three years ended December 31, 2006, there were intercompany balances due from certain related parties of the Group as set out in Notes 17 and 21 of the accountants' report in Appendix I to this prospectus. Such intercompany balances were interest free and unsecured and had no fixed terms of payment. The intercompany balances, including those due to and due from related parties, will be fully settled prior to the Listing Date.

Cash Flows

The following table sets forth, for the periods indicated, selected cash flow data from our combined cash flow statements.

	For the Year Ended December 31,		
	2004	2005	2006
		(in thousands)	
Operating cash flows before movements in working capital	US$ 60,866	US$ 95,386	US$106,409
Net cash from operating activities	23,235	68,247	60,771
Net cash used in investing activities	(67,780)	(24,418)	(27,659)
Net cash used in financing activities	(17,141)	(18,597)	(21,878)
Cash and cash equivalents at end of the year	38,829	63,167	73,673

Operating Activities

Net cash from operating activities in 2006 was US$60.8 million, while operating cash flows before movement in working capital was US$106.4 million. The difference of US$45.6 million was primarily due to an increase of US$19.7 million in amounts due from related companies, an increase of US$12.9 million in inventories and an increase in trade and other receivables of US$13.4 million and a decrease of US$10.3 million in amounts due to related companies. The increase in amounts due from related companies was related to increases in business volume. The increase in inventories was related to increases in sales and our entry into the retail business. The increase in trade and other receivables was related to increases in sales and the addition of certain new customers for which we granted a longer payment term. The decrease in amounts due to related companies was due to a decrease in the amount of supplies we purchased in Taiwan through Shenandoah as an increasing number of the vendors of the raw goods we purchased moved their factories to China. These increases were partially offset by an increase of US$11.0 million in trade and other payables. The increase in trade and other payables generally reflected increases in business volume. Operating cash flows before movement in working capital consisted primarily of US$93.6 million in profit before taxation and US$13 million of depreciation for property, plant and equipment.

Net cash generated from operating activities in 2005 was US$68.2 million, while operating cash flows before movement in working capital was US$95.4 million. The difference of US$27.2 million was primarily due to an increase of US$23.5 million in trade receivables, and an increase of US$24.6 million in amounts due from related companies. The increase in trade receivables was related to an increase in business volume. The increase in amounts due from related companies was related to an increase in business volume. These increases were partially offset by an increase of US$4.3 million in trade and other payables and an increase of US$17.0 million in amounts due to related companies. The increase in trade and other payables was related to increases in business volume and the increase in amounts due to related companies was because, in 2004, we had given Shenandoah some funding while, in 2005, we provided no such funding. Operating cash flows before movement in working capital consisted primarily of US$85.8 million of profit before taxation and US$12.6 million of depreciation of property, plant and equipment.

Net cash generated from operating activities in 2004 was US$23.2 million, while operating cash flows before movement in working capital was US$60.9 million. The difference of US$37.7 million was primarily due to an increase of US$28.9 million in trade and other receivables, an increase of US$20.0 million in inventories and a decrease of US$21.0 million in amounts due to related companies. The increase in trade and other receivables was related to increases in business volume. The increase in inventories was related to increases in sales. The decrease in amounts due to related parties was related to a decrease in the amount of supplies we purchased in Taiwan through Shenandoah as an increasing number of the vendors of the raw goods we purchased moved their factories to China. These increases were partially offset by an increase of US$16.3 million in trade and other payables and a decrease of US$17.3 million in amounts due from related companies. The increase in trade and other payables was related to increases in business volume. The decrease in amounts due from related companies was because in 2003, we wound up some related parties and, therefore, the amounts due from them were settled. We only established new related parties, that are wholly foreign-owned enterprises, such as Shenandoah, in 2004. Operating cash flows before movement in working capital consisted primarily of US$53.1 million in profit before taxation and US$9.3 million of depreciation of property, plant and equipment.

Investing Activities

Net cash used in investing activities in 2006 was US$27.7 million. The cash outflows related primarily to the purchase of investments held for trading at US$27.0 million related to our investment in financial instruments and the purchase of properties, plant and equipment to increase our manufacturing capacity in the amount of US$23.9 million, which included the purchase of production-line equipment. These cash outflows were partially offset by inflows of US$17.4 million from disposal of financial assets at fair value.

Net cash used in investing activities in 2005 was US$24.4 million. The cash outflows related primarily to the purchase of investments held for trading in the amount of US$35.9 million related to our investment in financial instruments and the purchase of property, plant and equipment to increase our manufacturing capacity in the amount of US$18.6 million, which included the purchase of equipment for our wholly owned Dalingshan facilities that had commenced operations in 2004. This was partially offset by US$27.4 million in proceeds from disposal of financial assets at fair value from profit or loss.

Net cash used in investing activities in 2004 was US$67.8 million. The cash outflows related primarily to the purchase of properties, plant and equipment to increase our manufacturing capacity in the amount of US$63.6 million, which was primarily related to the construction costs and machinery for our wholly owned Dalingshan facilities which was completed in April 2004. Additional outlays were made for the purchase of investments held for trading in the amount of US$46.3 million. This was partially offset by US$37.1 million in proceeds from disposal of financial assets at fair value.

Our investment decisions are made by the investment advisers, who are independent third-party financial institutions that we hire to manage our investments held for trading. As we will not have any investments held for trading after the Listing, these arrangements and the trading activities will be terminated after the Listing. We increase the amount of investments held for trading when we have surplus cash.

Financing Activities

Net cash used in financing activities in 2006 was US$21.9 million, which consisted of dividends paid in the amount of US$21.8 million. Net cash used in financing activities was US$18.6 million in 2005 and US$17.1 million in 2004, which consisted solely of dividends paid.

Inventories, Receivables and Payables

The following table sets forth, for the periods indicated, certain financial ratios.

	For the Year Ended December 31,		
	2004	2005	2006
Average inventory days(1)	45	46	43
Average trade receivable days(2)	44	50	50
Average trade payable days(3)	86	75	64

(1) Calculated as the average of the beginning and ending inventory balances for the period, divided by the cost of sales for the period, multiplied by 365 days, in respect of year periods.
(2) Calculated as the average of the beginning and ending trade receivables balances for the period, divided by revenue for the period, multiplied by 365, in respect of year periods.
(3) Calculated as the average of the beginning and ending trade payables balances for the period, divided by the cost of raw materials and components in the period, multiplied by 365, in respect of year periods.

Inventories

The average inventory days increased to 46 days in the year ended December 31, 2005 compared with the year ended December 31, 2004 at 45 days. The average inventory days decreased in the year ended December 31, 2006 to 43 days. This decrease resulted from more effective management of our inventories.

Our inventories decreased from US$67.8 million as of December 31, 2004 to US$65.3 million as of December 31, 2005, and increased to US$77.9 million as of December 31, 2006. The decrease in inventories in the year ended December 31, 2005 was due to a decrease in stockpiles of raw materials. The increase in inventories in the year ended December 31, 2006 was due to an increase in finished goods in order to fill the increase in purchase orders to be delivered before the Chinese New Year in 2007.

The following table sets forth, as of the balance sheet dates indicated, our inventory positions.

	As of December 31,			As of April 30,
	2004	2005	2006	2007
		(in thousands)		(unaudited)
Raw materials	US$37,559	US$24,314	US$28,097	US$ 34,884
Work in progress	17,065	26,445	28,893	32,872
Finished goods	13,146	14,549	20,918	37,835
Total	US$67,770	US$65,308	US$77,908	US$105,591

	As of December 31,			As of April 30,
	2004	2005	2006	2007
		(in thousands)		(unaudited)
Men's footwear	US$34,535	US$35,163	US$42,483	US$ 66,961
Women's footwear	33,235	30,145	33,965	36,743
Retail	—	—	1,460	1,887
Total	US$67,770	US$65,308	US$77,908	US$105,591

For 2007, as of April 30, 2007, we used US$21.1 million of raw materials and US$28.9 million of work in progress and sold US$19.6 million of finished goods.

We do not have a general allowance policy on inventory based on aging, given the nature of our inventories which are not subject to frequent wear and tear or technological changes. We periodically review the market value of our inventories, based on estimation of future demand and market conditions, and we perform inventory count annually to identify obsolete items. We make allowance on specific items we identified as obsolete or when our estimation of net realizable value is below the cost of inventory. Based on this policy, we believe that, as of the Latest Practicable Date, no further provision is necessary.

Receivables

We generate trade receivables related to sales to our customers. Our trade receivables increased from US$82.7 million as of December 31, 2004 to US$102.2 million as of December 31, 2005, and to US$109.4 million as of December 31, 2006. These increases were primarily due to increases in sales activity.

The average collection time of our trade receivables was lower than the average payment time of our trade payables by 42 days, 25 days and 14 days, for the years ended December 31, 2004, 2005 and 2006, respectively. Generally, suppliers of commodity items, such as the raw materials that are the subject of the substantial majority of our trade payables, extend trade credit with very short payment terms. We finance our trade payables with cash from operations and do not generally utilize letters of credit.

The average trade receivable days increased from 44 days in 2004 to 50 days in 2005 and remained constant in 2006. The higher average trade receivable days in 2006 and 2005 compared to 2004 was primarily due to increases in sales volume to customers with longer credit terms.

We generally invoice our customers with each shipment of goods. We generally grant our customers trade credit of 30 days, with some exceptions for some of our larger customers.

We make allowances against trade receivables to the extent amounts are considered to be uncollectible or unlikely to be collectible within a reasonable period of time which varies depending on the credit terms granted to customers, creditworthiness and past payment histories of customers. Trade receivables aged over three years are generally deemed to be uncollectible or unlikely to be collectible. Our management specifically analyzes factors such as the collectibility of individual customer, customer creditworthiness, change in customer payment pattern and current economic situation, to assess the adequacy of the allowance. Based on this policy, we believe that, as of the Latest Practicable Date, no further provision is necessary.

We review our outstanding accounts receivable at the end of each month and try to collect any that are outstanding and have not been paid.

The following table sets forth, as of December 31, 2006, the status of subsequent settlement of trade receivables by the respective aging categories:

Aging	0-30 days	31-60 days	61-90 days	91-180 days	Total
	(in US$'000)				
Balance	75,762	25,918	4,331	3,428	109,439
Per cent.	69.23	23.68	3.96	3.13	100.00
Settlement before April 30, 2007	75,117	25,708	4,155	2,742	107,722
Unsettled balance	645	210	176	686	1,717

Deposits paid for purchase of materials increased by 67.1% to US$11.5 million as of December 31, 2005 from US$6.9 million as of December 31, 2004 because we increased our inventory both in anticipation of an expected increase in sales and because of the Chinese New Year occurring earlier in 2006 than in 2005, which required us to build up additional inventory for sales after the holidays because the workers are on vacation during the Chinese New Year holidays and to build up inventory for the production that will resume after the holidays.

Payables

Our trade payables as recorded on our balance sheet are generated from the purchase from our suppliers of raw materials and components, while other payables are generated from the purchase of machinery. Cash flows relating to the purchase of raw materials and components are recorded in the operating activities section, while those relating to the purchase of machinery are recorded as purchase of properties, plant and equipment in the investing activities section.

Our trade payables decreased from US$63.3 million as of December 31, 2004 to US$62.4 million as of December 31, 2005, and increased to US$67.5 million as of December 31, 2006. These increases were primarily due to increases in purchases and costs of raw materials in connection with increases in sales volume.

The average trade payables days decreased from 86 days in 2004 to 75 days in 2005, and decreased to 64 days in 2006. Our raw materials suppliers typically give us 50-60 days' trade credit.

Our suppliers grant us an average trade credit of 55 days.

The following table sets forth, as of December 31, 2006, the status of subsequent settlement of trade payables by the respective aging categories:

Aging	0-30 days	31-60 days	61-90 days	Total
	(in US$'000)			
Balance	31,033	26,972	9,469	67,474
Per cent.	45.99	39.98	14.03	100.00
Settlement before April 30, 2007	31,033	26,972	9,459	67,464
Unsettled balance	—	—	10	10

Capital Expenditures

Our capital expenditures amounted to US$64.4 million, US$19.1 million and US$25.6 million in 2004, 2005 and 2006, respectively. During the Track Record Period, our capital expenditure consisted primarily of the construction of our wholly owned Dalingshan facilities, as well as the purchase of machinery and product-line facilities. We expect to incur capital expenditures of approximately US$30.0 million in 2007.

Our principal expected capital expenditures relate to the setting up of a new manufacturing facility in Xinhu Industrial Park, Maan County, Huizheng District, Huizhou, Guangdong Province, China, which upon completion of construction by the end of 2007, is expected to expand our capacity by approximately 3.0 million pairs of footwear (based on our approximate capacity of 50,000 pairs of men's casual footwear produced in each production line at full capacity and our estimation of the speed of the ramp-up to full capacity based on our historical experience), and add an additional 60,000 square meters of production space and 10 production lines. We expect capacity from this new facility to increase by another 3.0 million pairs to reach to 6.0 million pairs of footwear per year by the end of 2008 when capacity is fully ramped up. We estimate that approximately US$25.0 million will be required for this project, a substantial portion of which we expect to be paid in 2007. For more details relating to the factory, please refer to the section headed "Connected Transactions – Details of Continuing Connected Transactions – Continuing Connected Transactions exempt from independent shareholders' approval requirements – Lease of factory from Huizhou Stella" in this prospectus. Other planned 2007 capital expenditures include maintenance of current facilities, the opening of 30 point-of-sale outlets for our Stella Luna line, the expansion of production capacity and the upgrading of production capability at the Vietnam-2 Plant, and certain upgrades to our information systems. It is possible that due to unforeseen circumstances, construction may be postponed or costs of this facility may either increase or decrease, depending on a number of economic and other factors.

No assurance can be given that any of the planned capital expenditures outlined above will proceed as planned. The actual amounts of capital expenditures may vary for a variety of reasons, including, among others, our ability to generate sufficient cash flow from operations to finance capital expenditures and investments, and our ability to finance any shortfall. We may incur additional capital expenditures. For example, we are currently exploring other options on the Indian subcontinent and may choose to make an acquisition or enter into a processing agreement should attractive opportunities arise. We expect to fund the capital expenditures described above principally through internally generated operating cash flow, bank borrowings and the net proceeds we receive from the Global Offering. In the future, we may consider additional debt or equity financing, depending on market conditions, our financial performance and other relevant factors. No assurance can be given that we will be able to raise additional capital, should that become necessary, on terms acceptable to us or at all.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2006.

	Payment Due			
Contractual Obligations	**Within 1 Year**	**Within 1-5 Years**	**After 5 Years**	**Total**
		(in thousands)		
Operating lease obligations	US$1,655	US$3,585	US$793	US$6,033
Capital commitments	1,181	—	—	1,181
Total	US$2,836	US$3,585	US$793	US$7,214

In July 2000, we entered into an agreement with an independent third party to rent factory buildings for a period of ten years with a fixed monthly rental of RMB530,000. These factory buildings were occupied and the related rental expenses were borne by Sanford International Limited, our connected person, during the Track Record Period. We have terminated this arrangement in May 2007.

As of December 31, 2006, we had provided a guarantee to secure a US$20 million credit facility granted to Simona Tanning Inc., a connected person of our Company. Such guarantee was released on June 15, 2007.

Other than the contractual obligations set forth above, we do not have any long-term commitments.

Investments Held for Trading

During the periods when we have surplus cash, we invest a portion of it in a portfolio of investments which include mutual funds. We intend to use the current amount of investments held for trading to pay a portion of the special dividend we will pay to our sole shareholder, Cordwalner Bonaventure Inc. We manage our exposure by maintaining a portfolio of investments with different risk profiles. As of December 31, 2006, we held US$7.1 million of equity securities, US$3.5 million of credit-linked notes, US$5.2 million of equity-linked notes, US$13.2 million of mutual funds and US$20.8 million of debentures. In the future, we expect to hold a portion of our surplus cash in short-term deposits with licensed banks and authorized financial institutions in Hong Kong, rather than in investments held for trading, for so long as it is in our best interests. After the Listing, we plan to cease trading such investments held for trading. The existing investments held for trading will be transferred to Cordwalner Bonaventure Inc. as part of the special dividend paid prior to the Listing Date. See the section headed "Dividends, Dividend Policy and Distributable Reserves" in this prospectus.

At each balance sheet date subsequent to initial recognition, investments held for trading are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The fair values of the investments held for trading are determined based on quoted market bid prices available on the relevant exchanges or prices quoted by the financial institutions. We had US$32.0 million, US$42.6 million and US$49.9 million of investments held for trading as of December 31, 2004, 2005 and 2006, respectively. The increase in investments held for trading was primarily due to an increase in the surplus cash which we invested in the investments held for trading during the Track Record Period.

INDEBTEDNESS

Bank and Other Borrowings

At the close of business on April 30, 2007, being the latest practicable date prior to the printing of this prospectus for the purpose of this indebtedness statement, we had no outstanding bank loans.

In May and June 2007, we were granted by The Hongkong and Shanghai Banking Corporation Limited and Chinatrust Commercial Bank Ltd. with short-term loan facilities in an aggregate amount of US$90 million. Such loan facilities were secured by corporate guarantees and charges over deposit of Cordwalner Bonaventure Inc., which will lapse or be released upon the Listing. The proceeds of the short-term loan facilities will be used to finance the payment of the special dividend to our sole shareholder, Cordwalner Bonaventure Inc., prior to the Listing Date. The loan bears interest at 0.5% over Hong Kong Interbank Money Market Offered Rate for HK dollars or the Singapore Interbank Offered Rate for US dollars. The facility granted by The Hong Kong and Shanghai Banking Corporation will be repayable upon the Listing. The facility granted by Chinatrust Commercial Bank Ltd. are in two tranches and are subject to renewal. A tranche of the loan matures six months after the grant of the loan. The second tranche is a working capital facility. We intend to use a portion of the proceeds of the Global Offering to repay such short-term loan. For more information on use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds from the Global Offering" in this prospectus.

Off-Balance Sheet Commitments and Arrangements

Except for the contractual obligations set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity, or that are not reflected in our audited combined financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an uncombined entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Disclosure under Rules 13.13 to 13.19 of the Listing Rules

The Directors confirm that as of the Latest Practicable Date there were no circumstances that would give rise to the disclosure requirements under Rule 13.13 to 13.19 of the Listing Rules.

OWNED PROPERTIES AND PROPERTY VALUATION

We own a total of four manufacturing facilities in China, including the land use rights thereto, that we use in our production.

For details of our properties as of March 31, 2007, and the text of the valuation certificates of these property interests prepared by Sallmanns (Far East) Limited, please refer to Appendix IV "Property Valuation" to this prospectus.

During the Track Record Period, we prepaid certain lease payments in connection with obtaining the land use rights to Sanford International, a company 50% owned by Mr. Jimmy Chen and 50% owned by Mr. Lawrence Chen. These are one-off payments, and no further pre-paid lease payments have been made to Sanford International since December 31, 2006. As no more lease payment will be made subsequent to the Listing, the Directors do not consider this transaction to constitute a connected transaction or a continuing connected transaction under Chapter 14A of the Listing Rules.

MARKET RISKS

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash invested in demand deposits and liquid investments. We have not used any derivative financial instruments to manage our interest risk exposure. Interest-earning instruments carry a degree of interest rate risk.

Credit Risk

As of December 31, 2006, our maximum exposure to credit risk in the event of counterparty failure to perform obligations in relation to each class of recognized financial assets is the carrying amount of such assets as stated in our combined balance sheet. In order to minimize credit risk, we have delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate provisions are made for irrecoverable amounts. In this regard, the Directors consider that our credit risk is effectively managed.

We have no significant concentration of credit risk, as credit exposure is spread over a number of counterparties and customers. The credit risk for bank deposits and bank balances exposed is considered minimal, as such amounts are placed with banks with good credit ratings.

Foreign Exchange Risk

The value of the RMB against the US dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including US dollars, has been based on rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the US dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 6.1% appreciation of the RMB against the US dollar between July 21, 2005 and December 29, 2006. While the international reaction to the RMB revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the US dollar.

A small portion of our net revenue and most of our operating expenses are denominated in RMB, while substantially all of our revenue and most of our non-operating expenses are denominated in US dollars and Hong Kong dollars. We use US dollar as the reporting currency for our financial statements. Fluctuations in exchange rates, primarily those involving the US dollar, may affect our costs and operating margins as well as our net income reported in US dollars. For example, to the extent that we need to convert US dollars we receive from this offering into RMB for our operations, appreciation of the RMB against the US dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert our RMB into US dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the US dollar against the RMB would have a negative effect on the US dollar amount available to us.

Inflation

Since our inception, inflation in China has not materially impacted on our results of operations. According to the National Bureau of Statistics of China, the change in the consumer price index in China was 3.9%, 1.8% and 1.5% in 2004, 2005 and 2006, respectively.

SUBSEQUENT EVENTS

On June 15, 2007, we declared a special dividend in the amount of US$220 million to our sole Shareholder, Cordwalner Bonaventure Inc., which will be paid prior to the Listing Date. Purchasers of the Offer Shares in the Global Offering will not be entitled to this special dividend. We intend to dividend all of the investment held for trading as part of the special dividend. To finance the payment of this special dividend, in May and June 2007, we were granted by The Hongkong and Shanghai Banking Corporation Limited and Chinatrust Commercial Bank Ltd. with short-term loan facilities in an aggregate amount of US$90 million. Such loan facilities were secured by corporate guarantees and charges over deposit of Cordwalner Bonaventure Inc. and the guarantees and the charges over deposit will lapse or be released upon the Listing. We intend to use a portion of the proceeds of this Global Offering to repay the entire amount of such loan. Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds from the Global Offering" in this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group as of December 31, 2006 is based on the audited combined net tangible assets of the Group as of December 31, 2006, included in Appendix I to this prospectus and adjusted as follow:

	Audited combined net tangible assets attributable to the equity shareholders of the Company as at December 31, 2006(1) US $'000	Estimated net proceeds from the offer of new Shares(2) US$'000	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at December 31, 2006(3) US$'000	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at December 31, 2006 per Share(4) US$
Based on an Offer Price of HK$15.5 per Share	439,321	370,545	809,866	1.04
Based on an Offer Price of HK$12.5 per Share	439,321	297,701	737,022	0.94

(1) The audited combined net tangible assets attributable to the equity holders of the Company as of December 31, 2006 represents the net assets of the Group as at that date as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this prospectus, without adjustment.

(2) The estimated net proceeds from the offer of 195,000,000 new Shares are based on the Offer Price of HK$15.5 and HK$12.5 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at December 31, 2006 do not take into account the special dividend of approximately US$220 million declared by the Directors to our then sole Shareholder prior to the Listing. The dividend will be paid prior to the Listing Date.

(4) The unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at December 31, 2006 per Share is based on 780,000,000 Shares (being the number of shares expected to be in issue immediately after completion of the Global Offering and the Capitalization Issue). No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option.

PROFIT FORECAST

Our Directors forecast that, in the absence of unforeseen circumstances and on the basis of our unaudited management accounts for the year ending December 31, 2007, our profit attributable to our equity holders for the year ending December 31, 2007 will not be less than US$103.9 million.

Based on the profit forecast set out above, our forecast earnings per Share information is as follows.

Pro forma forecast earnings per Share (1)	not less than US$0.13

(1) The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2007, assuming that our Company had been listed since January 1, 2007 and a total of 780,000,000 Shares were issued and outstanding during the entire year. This calculation assumes that the Over-allotment Option will not be exercised and the Shares to be issued pursuant to the Global Offering and the Capitalization Issue were issued on January 1, 2007.

INTERNAL CONTROL

We have in place a system of internal controls, the key elements of which are set forth below.

- Formal policies and procedures, including the documentation of key processes, procedures and rules, relating to the delegation of authorities. These allow the monitoring of controls and restrict the unauthorized use of our assets.
- Annual appraisal procedures to maintain standards of performance and ensure that we have experienced and suitably qualified staff that take responsibility for important business functions.
- The preparation of monthly business and financial reports, providing relevant, timely, reliable and up-to-date financial and other information. We investigate budget variances, as appropriate.
- An internal audit function, which reports directly to the Audit Committee, to determine whether the above procedures are properly carried out.

The Directors also intend to conduct a review on the effectiveness of our internal control systems, including financial, operational and compliance controls, and risk management at least once a year, in order to ensure that our assets are properly safeguarded.

The Directors believe, based on the information supplied, coupled with their own observations and with the assistance of the audit committee, that the present internal controls and risk management processes are satisfactory for the nature and size of our operations and business.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in our financial or trading position or prospects since December 31, 2006, which is the date at which our latest audited financial statements were prepared.

DIVIDENDS

In 2004, 2005 and 2006, we distributed dividends of US$17.1 million, US$18.6 million and US$21.8 million, respectively, to our then shareholders.

On June 15, 2007, we declared a special dividend in the amount of US$220 million to our sole Shareholder, Cordwalner Bonaventure Inc., which will be paid prior to the Listing Date. Of the amount of US$220 million, about US$50 million by the transfer of the investments held for trading, valued at the fair market value on June 15, 2007 being the date of declaration of the special dividend and the Latest Practicable Date, about US$80 million was settled by way of set-off of the amount due to us from Cordwalner Bonaventure Inc., and the remaining balance was settled by cash payment. In determining the amount of this special dividend, our Directors have taken into account the level of our retained earnings, our expected cash flow and our assets and liabilities and they believe that the dividend represents a fair and reasonable return to our controlling shareholders. Purchasers of the Offer Shares in the Global Offering will not be entitled to this special dividend. To finance the payment of the cash portion of this special dividend, in May and June 2007, we were granted by The Hongkong and Shanghai Banking Corporation Limited and Chinatrust Commercial Bank Ltd. with short-term loan facilities in an aggregate amount of US$90 million. The loan facilities were secured by corporate guarantees and charges over deposit of Cordwalner Bonaventure Inc. and the guarantees and the charges over deposit will lapse or be released upon the Listing. We intend to use a portion of the proceeds of this Global Offering to repay the entire amount of such loan. Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds from the Global Offering" in this prospectus.

Our Directors expect that in the future dividends (if any) will be paid on a semi-annual basis in respect to any financial year. Subject to the factors described below in the section headed "– Dividend Policy", our Directors currently intend to declare cash dividends in an amount equivalent to not less than 40% to 60% of the combined profit attributable to our equity holders for the periods subsequent to January 1, 2007. We intend to declare a cash dividend with respect to the six months ending June 30, 2007. Holders of our Shares as of the applicable record date will be entitled to such dividend.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that our Directors consider appropriate. The declaration of dividends is subject to the discretion of the Directors, but in any case is subject to the amount of distributable profits based on HKFRS, the Articles, the Companies Law and applicable laws and regulations. In addition, any final dividend for a financial year will be subject to the approval of our Shareholders. Other factors that the Directors may deem relevant include:

- our financial results;
- our Shareholders' interests;
- general business conditions;
- our business strategies;
- our capital requirements;
- contractual restrictions on the payment of dividends by us to our Shareholders or by our subsidiaries to us;
- taxation considerations;
- possible effects on our creditworthiness; and
- any other factor the Directors may deem relevant.

DISTRIBUTABLE RESERVES

The Company was incorporated on March 5, 2007 and has not carried out any business since the date of its incorporation save for the transactions related to the Reorganization. Section 34 of the Company Law permits, subject to a solvency test and any other provisions in our Company's memorandum and articles of association, the payments of dividends and distributions out of our share premium account. Immediately upon completion of the Reorganization and prior to the Listing Date, our Company's distributable reserves immediately prior to the payment of the special dividend of US$220 million comprises the amount standing to the credit of our share premium account, which amounted to about US$439,300,000 based on the combined equity attributable to equity holders of the parent of US$439,321,000 of our Group as of December 31, 2006. Immediately upon completion of the Reorganization and prior to the Listing Date, our Company's distributable reserves after the payment of the special dividend amounted to US$219,300,000, which will be available for distribution to our shareholders.

FUTURE PLANS AND PROSPECTS

We intend to grow our business by leveraging our core expertise in footwear design, development and manufacturing to increase our revenue while maintaining or enhancing margins. To achieve these goals, we are pursuing the following principal strategies:

- continue to provide value-added solutions by focusing on design and development;
- target the women's fashion footwear market;
- enhance recognition of our "Stella" brand as a leading footwear manufacturer, and retailer for women's fashion footwear and related accessories in China;
- optimize manufacturing capacity by focusing on higher-margin, value-added manufacturing; and
- further strengthen manufacturing capacity by enhancing operational efficiency.

Please refer to the section headed "Business – Strategies" in this prospectus for a more detailed description of our future plans.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We estimate that we will receive net proceeds from the Global Offering of approximately HK$2,599 million, after deducting the estimated underwriting fees and expenses payable by us in the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$14.00 per Offer Share, being the mid-point of the indicative Offer Price range. We intend to use the net proceeds from the Global Offering as follows:

- as to HK$272 million (approximately US$35 million or approximately 10% of the net proceeds payable to our Company), for the expansion of manufacturing capacity, including the setting up of a new manufacturing facility in Huizhou, China and the expansion of production capacity and capability at the Vietnam-2 Plant;
- as to HK$233 million (approximately US$30 million or approximately 9% of the net proceeds payable to our Company), for funding the expansion of the Company's retail business in China, including the roll-out of new retail stores across China;
- as to HK$1,133 million (approximately US$146 million or approximately 44% of the net proceeds payable to our Company), for the potential acquisitions of footwear and related accessories brands and businesses;
- as to HK$700 million (approximately US$90 million or approximately 27% of the net proceeds payable to our Company), for the servicing and repayment of the short-term loan facilities granted by The Hongkong and Shanghai Banking Corporation Limited and Chinatrust Commercial Bank Ltd. used for the financing of a special dividend to be paid prior to the Listing Date; and
- as to the balance of HK$260 million (approximately US$33 million or approximately 10% of the net proceeds payable to our Company), for general working capital purposes.

In the event that the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK$12.50 to HK$15.50 per Offer Share, the net proceeds from the issue of new Shares will decrease by approximately HK$283 million to approximately HK$2,315 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). In such case, our Directors intend to reduce correspondingly the amount to be applied for both the potential acquisition of footwear and related accessories brands and business and general working capital purposes. Save for such change, the Directors intend to apply the net proceeds from the issue of new Shares in the same manner as the above usages.

In the event that the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK$12.50 to HK$15.50 per Offer Share, the net proceeds of the issue of new Shares will increase by approximately HK$283 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). Our Directors intend to apply such additional net proceeds for the potential acquisition of footwear and related accessories brands and business.

In the event that any part of the business plans of our Group does not materialize or proceed as planned, our Directors will carefully evaluate the situation and may re-allocate the intended use of proceeds to fund other business plans and/or new projects of our Group and/or hold such proceeds as short-term deposits for so long as our Directors consider it to be in the best interest of our Group and our Shareholders taken as a whole. Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make an announcement in due course.

To the extent that the net proceeds from the issue of new Shares are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorized financial institutions in Hong Kong for so long as it is in our best interests. We will also disclose the same in the relevant annual report.

The Cornerstone Placing

As part of the International Offering, we and the Global Coordinator entered into a placing agreement (the "Cornerstone Placing Agreement") with Equity Advantage Limited (the "Cornerstone Investor") for the subscription by the Cornerstone Investor at the Offer Price for such number of shares that may be purchased with an aggregate of approximately US$30 million (the "Cornerstone Placing"). The Cornerstone Investor is an independent third party.

The Cornerstone Investor

Equity Advantage Limited agrees to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 shares) which may be purchased for approximately US$30 million (exclusive of the related brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price. Assuming an offer price of HK$14.00 per Share, being the mid-point of the price range set out in this prospectus, the total number of Shares that Equity Advantage Limited would subscribe for would be approximately 16,714,000 Shares, which is 2.1% of the Shares outstanding immediately following the completion of the Global Offering and Capitalization Issue, assuming that the Over-allotment Option is not exercised.

Equity Advantage Limited, a company incorporated in the BVI, is an investment holding company with investments across a broad range of industries. Equity Advantage Limited is ultimately 100% owned by the Dickson Poon family.

Cornerstone Placing Agreement

Conditions Precedent

The subscription obligation of the Cornerstone Investor is conditioned upon the Hong Kong Underwriting Agreement and the International Purchase Agreement being entered into and having become unconditional by the Listing Date and not being terminated in accordance with the terms of the respective agreements.

Restrictions on Disposal by the Cornerstone Investor

The Cornerstone Investor has agreed in the Cornerstone Placing Agreement that without the prior written consent of the Company and the Global Coordinator, it will not whether directly or indirectly, conditionally or unconditionally, at any time during the period of six months following the Listing Date (the "Lock-up Period") pledge, charge or otherwise dispose of, or enter into any transaction with such economic effect (or agree or contract to, or publicly announce any intention to do any of the foregoing) any of the Offer Shares subscribed pursuant to the Cornerstone Placing. The Cornerstone Investor has further agreed that, at any time after the expiry of the Lock-up Period, in the event that it enters into any of the above transactions, or agrees or contracts to, or publicly announce any intention to do any of these transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares and will comply with the Listing Rules and other applicable laws.

UNDERWRITERS

Hong Kong Underwriters

Goldman Sachs (Asia) L.L.C.
CLSA Limited
Cazenove Asia Limited
KGI Capital Asia Limited
Chinatrust Asia Limited
Shanghai Commercial Bank Limited

International Purchasers

Goldman Sachs (Asia) L.L.C.
CLSA Limited
Cazenove Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on June 21, 2007. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering initially 19,500,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue, the Offer Shares (including any Shares which may be issued or sold under the Over-allotment Option) and any Shares which may be issued pursuant to the exercise of options granted, or to satisfy the grant of share awards, under the Long Term Incentive Scheme and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Purchase Agreement having been signed and becoming unconditional.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement is subject to termination by notice in writing from the Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters) to our Company if any of the following events shall have occurred prior to 8:00 a.m. on the day on which dealings in the Shares first commence on the Stock Exchange, there has come to the notice of the Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters) that:

(a) there has been a breach of any of the warranties or there has been a breach of any of the provisions of the Hong Kong Underwriting Agreement by our Company or the controlling shareholder or certain of the executive Directors; or

(b) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect; or

(c) there develops, occurs, exists or comes into force:

(i) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, fiscal, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and interbank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in or affecting Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, Japan, the European Union or any other relevant jurisdiction; or

(ii) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, Japan, the European Union or any other relevant jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, economic sanctions, strikes, lock-outs, riots, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease accident or interruption or delay in transportation) in or affecting Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, Japan, the European Union or any other relevant jurisdiction; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other declaration of a national or international state of emergency or calamity or crisis in or affecting Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, Japan, the European Union or any other relevant jurisdiction; or

(v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the Tokyo Stock Exchange or the London Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, the Cayman Islands, Hong Kong or the PRC, declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, Japan, the European Union or any other relevant jurisdiction; or

(vi) any change or prospective change in taxation or exchange controls or the implementation of exchange controls, currency exchange rates or foreign investment regulations in Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, Japan, the European Union, or any other relevant jurisdiction adversely affecting an investment in the Shares;

(vii) any material litigation or claim being threatened or instigated against any member of our Group;

(viii) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our controlling shareholder or certain of the executive Directors pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement; or

(ix) any breach of any of the obligations of our Company, our controlling shareholder or certain of the executive Directors under the Hong Kong Underwriting Agreement; or

(x) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of our Company or our Group as a whole; or

(xi) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom;

and which, with respect to any of clauses (i) through (xi) above, in the absolute opinion of the Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(A) is or will be or may be materially adverse to, the general affairs, management, business or financial or trading position or prospects of our Company or our Group as a whole; or

(B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares and/or make it impracticable or inadvisable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(C) makes or may make it inadvisable, impracticable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, offering circulars and Application Forms; or

(d) there has come to the notice of the Global Coordinator or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement that any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any respect which has or will have a material adverse effect on the Global Offering; or

(e) any of the representations, warranties and undertakings given by our Company in the Hong Kong Underwriting Agreement is (or would when repeated be) untrue, incorrect or misleading in any respect,

then the sole bookrunner, Goldman Sachs (Asia) L.L.C., in its sole and absolute discretion, may, on behalf of the Hong Kong Public Offering Underwriters, upon giving written notice to our Company, the controlling shareholder and certain of the executive Directors made pursuant to the provisions of the Hong Kong Underwriting Agreement on or prior to 8:00 a.m. on the day on which dealings in the Shares first commence on the Stock Exchange (with a copy of such notice to the other Hong Kong Underwriters), terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings

We have undertaken to the Stock Exchange that no further shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the date on which our Shares first commence dealing on the Stock Exchange (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealings in our Shares on the Stock Exchange), except in the circumstances prescribed by Rule 10.08 of the Listing Rules.

We have undertaken to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement, that except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the Long Term Incentive Scheme, we will not without the prior written consent of the sole bookrunner, Goldman Sachs (Asia) L.L.C. (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules (1) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the date on which dealings in the Shares first commence on the Stock Exchange, (i) offer, accept subscription for, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, repurchase any of our share or debt capital or other securities of our Company or any interest therein (including, but not limited to, any securities convertible into or exchangeable for, or that represent the right to receive any such capital or securities or any interest therein), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such capital or securities or any interest therein, or (iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above, or (iv) agree or contract to, or publicly announce any intention to enter into, any foregoing transaction described in (i), (ii) and (iii); whether any of the foregoing transactions described in (i), (ii) and (iii) is to be settled by delivery of Shares or such other securities, in cash or otherwise; and (2) enter into a transaction described in (i), (ii) or (iii) above, or agree or contract to or publicly announce any intention to enter into any such transaction, such that our controlling shareholder would cease to be controlling shareholder of the Company during the six-month period immediately following the first six-month period.

In accordance with Rule 10.07(1)(a) of the Listing Rules, Cordwalner Bonaventure Inc., our controlling shareholder, has undertaken to the Stock Exchange that except pursuant to the Global Offering or the Over-allotment Option, (i) it will not, at any time during the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and (ii) it will not, at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be the Company's controlling shareholder.

Note (2) of Rule 10.07 of the Listing Rules provides that the rule does not prevent the controlling shareholder from using the shares owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a *bona fide* commercial loan.

Cordwalner Bonaventure Inc., our controlling shareholder, has further undertaken to us and the Stock Exchange that it will, within a period of 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

(a) any pledges or charges of any of our Shares or securities of the Company beneficially owned by it in favor of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of the Company so pledged or charged; and

(b) any indication received by it, either verbal or written, from any pledgee or chargee of any of our Shares or other securities of the Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our controlling shareholder and disclose such matters in accordance with the publication requirements under the Listing Rules as soon as possible after being so informed by our controlling shareholder.

Our controlling shareholder, Cordwalner Bonaventure Inc., has undertaken to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement, that except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the stock borrowing arrangement, it will not without the prior written consent of the sole bookrunner (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules (1) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the date on which dealings in the Shares first commence on the Stock Exchange, (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, repurchase any of our share or debt capital or other securities of our Company or any interest therein (including, but not limited to, any securities convertible into or exchangeable for, or that represent the right to receive any such capital or securities or any interest therein), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such capital or securities or any interest therein, or (iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above, or (iv) agree or contract to, or publicly announce any intention to enter into, any foregoing transaction described in (i), (ii) and (iii); whether any of the foregoing transactions described in (i), (ii) and (iii) is to be settled by delivery of Shares or such other securities, in cash or otherwise; and (2) enter into a transaction described in (i), (ii) or (iii) above, or agree or contract to or publicly announce any intention to enter into any such transaction, such that it would cease to be controlling shareholder of the Company during the six-month period immediately following the first six-month period.

International Offering

International Purchase Agreement

In connection with the International Offering, our Company expects to enter into the International Purchase Agreement with the International Purchasers and Cordwalner Bonaventure Inc. Under the International Purchase Agreement, the International Purchasers would, subject to certain conditions set out therein, severally agree to purchase the International Offering Shares or procure purchasers for the International Offering Shares. The International Purchase Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Purchase Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Purchase Agreement, our Company will give undertakings similar to as those given pursuant to the Hong Kong Underwriting Agreement as described in ''– Underwriting Arrangements and Expenses – Hong Kong Public Offering – Undertakings''.

Under the International Purchase Agreement, our Company expects to grant to the International Purchasers the Over-allotment Option, exercisable by the Global Coordinator on behalf of the International Purchasers at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 29,250,000 additional Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be issued or sold at the Offer Price and used to cover over-allocation, if any, in the International Offering.

It is expected that our controlling shareholder, Cordwalner Bonaventure Inc., will undertake to the International Purchasers not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by it pursuant to the Hong Kong Underwriting Agreement, which is described in ''– Underwriting Arrangements and Expenses – Hong Kong Public Offering – Undertakings''.

Underwriting Commission and Expenses

The International Purchasers and Hong Kong Underwriters will receive a commission of 3.15% of the aggregate Offer Price of all the Offer Shares (including any Shares to be issued or sold pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commission. Excluding the commission payable to the International Purchasers and the Hong Kong Underwriters, the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering are currently estimated to be about HK$45.5 million in aggregate (based on an Offer Price of HK$14.00 per Share, being the mid-point of the stated range of the Offer Price between HK$12.50 and HK$15.50 per Share, and on the assumption that the Over-allotment Option is not exercised) is to be borne by the Company.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Global Coordinator and the relevant International Purchasers (but not the Hong Kong Underwriters).

Hong Kong Underwriters' Interests in the Company

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Goldman Sachs (Asia) L.L.C is the Global Coordinator and the bookrunner for the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(a) the Hong Kong Public Offering of initially 19,500,000 Shares (subject to re-allocation as mentioned below) in Hong Kong as described below in the section headed "– The Hong Kong Public Offering"; and

(b) the International Offering of initially 175,500,000 Shares (subject to re-allocation and the Over-allotment Option as mentioned below) in the United States with QIBs in reliance on Rule 144A or another exemption under the US Securities Act, and outside the United States in reliance on Regulation S.

Investors may apply for our Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of our Shares to QIBs in the United States in reliance on Rule 144A or another exemption under the US Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Purchasers are soliciting from prospective investors indications of interest in acquiring our Shares in the International Offering. Prospective investors will be required to specify the number of our Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about June 27, 2007, being the last day for lodging applications under the Hong Kong Public Offering.

The number of Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the section headed "– Pricing and Allocation" in this prospectus.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around June 28, 2007 and in any event, no later than July 4, 2007.

The Offer Price will be not more than HK$15.50 per Share and is expected not to be less than HK$12.50 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Global Coordinator (on behalf of the Underwriters and with our consent) considers it appropriate, the indicative offer price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of June 27, 2007, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the indicative offer price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, solely because the indicative offer price range is so reduced.

The Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Global Coordinator.

Allocation of our Shares pursuant to the International Offering will be determined by the Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and retail or corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, but will be made strictly on a pro-rata basis (subject to rounding down to the nearest board lot of Shares), although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on July 5, 2007 through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares – Results of Allocations" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of any application for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the granting by the Listing Committee of the Stock Exchange of listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue, the Offer Shares (including any Shares that may be issued pursuant to the exercise of the Over-allotment Option, subject only to allotment) and any Shares which may be issued pursuant to the exercise of options which may be granted, or to satisfy the grant of share awards, under the Long Term Incentive Scheme;

(b) the execution and delivery of the International Purchase Agreement on or around the Price Determination Date; and

(c) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Purchase Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than July 20, 2007.

If for any reason, the Offer Price is not agreed by July 4, 2007 between the Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause notice of the lapse of the Hong Kong Public Offering to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on July 5, 2007 but will only become valid certificates of title at 8.00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on July 6, 2007, if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

We are initially offering 19,500,000 new Shares at the Offer Price, representing 10% of the 195,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Shares initially offered under the Hong Kong Public Offering will represent approximately 50% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. In Hong Kong, individual retail investors are expected to apply for Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Offering will not be allotted Offer Shares in the International Offering.

For allocation purposes only, of the 19,500,000 Shares initially being offered for purchase under the Hong Kong Public Offering, 1,950,000 Shares (representing approximately 10% of the total number of Shares initially being offered under the Hong Kong Public Offering) will be available for preferential allocation to satisfy valid applications by eligible employees of the Group (other than the Directors, existing beneficial owners of Shares and their respective associates).

The Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

The Offer Price will be not more than HK$15.50 and is expected to be not less than HK$12.50. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum offer price of HK$15.50 per Share plus 1% brokerage fee, 0.004% SFC transaction levy, and 0.005% Stock Exchange trading fee. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$15.50, being the maximum price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

For allocation purposes only, the Hong Kong Offer Shares (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering and after deducting the number of Hong Kong Offer Shares validly applied for under the employee preferential offer) will be divided equally into two pools: Pool A and Pool B, both of which are available on an equitable basis to successful applicants. If the employee preferential offer is not fully taken up, any excess Shares will be re-allocated to Pool A and Pool B in equal proportion. All valid applications that have been received for Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 17,550,000 Shares (after deducting the 1,950,000 Shares available for subscription under the employee preferential offer) initially comprised in the Hong Kong Public Offering (that is 19,500,000 Hong Kong Offer Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Hong Kong Offer Shares validly applied for in the Hong Kong Public Offering (including the employee preferential offer) represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (including the employee preferential offer) will be increased to 58,500,000, 78,000,000 and 97,500,000 Hong Kong Offer Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "Mandatory Reallocation". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Global Coordinator deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Global Coordinator deems appropriate. In addition to any Mandatory Reallocation which may be required, the Global Coordinator may, at its discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The number of Shares to be initially offered under the International Offering will be 175,500,000 Shares, representing 90% of the Offer Shares under the Global Offering. The International Offering is subject to the Hong Kong Public Offering being unconditional. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Shares initially offered under the International Offering will represent 90% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Pursuant to the International Offering, the International Purchasers will conditionally place our Shares with QIBs in the United States in reliance on Rule 144A or another exemption under the US Securities Act, as well as with institutional and professional investors and other investors in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

We expect to grant the Over-allotment Option to the International Purchasers, exercisable by the Global Coordinator on behalf of the International Purchasers at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for lodging of Application Forms under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Global Coordinator will have the right to require us to allot and issue up to an aggregate of 29,250,000 additional new Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering. These Shares will be sold or issued, at the Offer Price, to cover over-allocation in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilization Manager or its affiliates acting for it may choose to borrow Shares from our controlling shareholder, Cordwalner Bonaventure Inc. under the Stock Borrowing Agreement. The Stock Borrowing Agreement shall not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows: -

- such stock borrowing arrangement with Cordwalner Bonaventure Inc. will only be effected by the Stabilization Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Cordwalner Bonaventure Inc. under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Cordwalner Bonaventure Inc. or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Cordwalner Bonaventure Inc. by the Stabilization Manager or its authorized agents in relation to such stock borrowing arrangement.

EMPLOYEE PREFERENTIAL OFFER

1,950,000 Shares (representing approximately 10% of the total number of Shares initially available on a preferential basis under the Hong Kong Public Offering) are available for subscription by eligible employees of the Group on a preferential basis (other than the directors of the Group, existing beneficial owners of Shares and their respective associates, and connected persons or persons who will become connected persons immediately upon completion of the Global Offering).

These Hong Kong Offer Shares will be allocated on a preferential basis to employees who have validly applied for such Hong Kong Offer Shares on **PINK** Application Forms in accordance with the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. Allocation of these Shares will be made based on written guidelines consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules and made in an equitable manner taking into account all factors that the Board deems relevant, including, without limitation, the relevant employee's performance, contribution to our Company and length of service with us. No favorable treatment will be given to any eligible employees applying for larger numbers of Shares or any eligible employees who hold a more senior position within our Company. Any Shares not subscribed for by eligible employees in connection with the employee preferential offer will be available for subscription by the public under the Hong Kong Public Offering.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, July 6, 2007, it is expected that dealings in Shares on the Stock Exchange will commence at 9:30 a.m. on Friday, July 6, 2007.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date and subject to the other conditions set out in the section headed "– Conditions of the Hong Kong Public Offering" above.

We expect shortly after determination of the Offer Price on the Price Determination Date, to enter into the International Purchase Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Purchase Agreement are summarized in the section headed "Underwriting" in this prospectus.

METHODS TO APPLY FOR HONG KONG OFFER SHARES

You may apply for Hong Kong Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** and/or **PINK** Application Form; or
- **electronically instructing** HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC.

WHICH APPLICATION METHOD YOU SHOULD USE

- Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.
- Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.
- Use a **PINK** Application Form if you are an eligible full-time employee of the Company or its subsidiaries and want your application to be given preferential consideration. Up to 1,950,000 Offer Shares (being approximately 10% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering) are available eligible full-time employees of the Company or its subsidiaries on this basis.
- Instead of using a **YELLOW** Application Form, you may **electronically instruct** HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, June 22, 2007 until 12:00 noon on Wednesday, June 27, 2007 from:

Any participant of the Stock Exchange

or

Goldman Sachs (Asia) L.L.C.	68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
CLSA Limited	18th Floor, One Pacific Place, 88 Queensway, Hong Kong
Cazenove Asia Limited	5001, One Exchange Square, 8 Connaught Place, Central, Hong Kong
KGI Capital Asia Limited	27th Floor, ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
Chinatrust Asia Limited	28th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Shanghai Commercial Bank Limited	12, Queen's Road Central, Hong Kong

or any of the following branches of Bank of China (Hong Kong) Limited, Bank of Communications Co., Ltd. Hong Kong Branch and Standard Chartered Bank (Hong Kong) Limited:

Bank of China (Hong Kong) Limited

	Branch Name	**Address**
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
	Taikoo Shing Branch	G1006-7, Hoi Sing Mansion, Taikoo Shing
Kowloon	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
	Cheung Sha Wan Plaza Branch	Shop G08, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
New Territories	Castle Peak Road (Tsuen Wan) Wealth Management Centre	167 Castle Peak Road, Tsuen Wan
	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II

Bank of Communications Co., Ltd. Hong Kong Branch

	Branch Name	**Address**
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central, Hong Kong
	Central District Sub-Branch	G/F., 123-125A Des Voeux Road, Central
	Hennessy Road Sub-Branch	368 Hennessy Road, Wanchai
Kowloon	Kowloon Sub-Branch	563 Nathan Road
	Wong Tai Sin Sub-Branch	Shops 127-129, 1/F Lung Cheung Mall, 136 Lung Cheung Road, Wong Tai Sin
New Territories	Ma On Shan Sub-Branch	Shop 3038A, Level 3, Sunshine Plaza, Ma On Shan
	Tseung Kwan O Sub-Branch	Shops 253-255, Metro City Shopping Arcade, Phase I, Tseung Kwan O

Standard Chartered Bank (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Leighton Centre Branch	Shop 12-16, UG/F, Leighton Centre, 77 Leighton Road, Causeway Bay
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsim Sha Tsui Branch	G/F, 10 Granville Road, Tsim Sha Tsui
	Kwun Tong Branch	1A Yue Man Square, Kwun Tong
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, No. 298 Sha Tsui Road, Tsuen Wan
	Metroplaza Branch	Shop Nos. 186-188, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Yuen Long Branch	140 Yuen Long Main Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, June 22, 2007 to 12:00 noon on Wednesday, June 27, 2007 from:

- the depository counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.

You can collect a **PINK** Application Form and a prospectus from the Company Secretary, Ms. KAN Siu Yim, at

Room 1301-05, 13th Floor
Union Park Centre
No.771-775, Nathan Road
Kowloon
Hong Kong

WHEN TO APPLY FOR THE HONG KONG OFFER SHARES

WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Wednesday, June 27, 2007, or, if the Application Lists are not open on that day, by the time and date stated in the section headed "– Effect of bad weather conditions on the opening of the Application Lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the banks listed in the section headed "– Where to collect the Application Forms" at the following times:

Friday, June 22, 2007 – 9:00 a.m. to 4:30 p.m.
Saturday, June 23, 2007 – 9:00 a.m. to 1:00 p.m.
Monday, June 25, 2007 – 9:00 a.m. to 4:30 p.m.
Tuesday, June 26, 2007 – 9:00 a.m. to 4:30 p.m.
Wednesday, June 27, 2007 – 9:00 a.m. to 12:00 noon

PINK Application Forms

Completed **PINK** Application Forms, with payment attached, must be returned to the Company Secretary, at Room 1301-05, 13th Floor, Union Park Centre, No.771-775, Nathan Road, Kowloon, Hong Kong by 8:00 p.m. on Tuesday, June 26, 2007.

Electronic application instructions to HKSCC

CCASS Broker/Custodian Participants should input **electronic application instructions** via CCASS at the following times:

Friday, June 22, 2007 – 9:00 a.m. to 8:30 p.m.(1)
Saturday, June 23, 2007 – 8:00 a.m. to 1:00 p.m.(1)
Monday, June 25, 2007 – 8:00 a.m. to 8:30 p.m.(1)
Tuesday, June 26, 2007 – 8:00 a.m. to 8:30 p.m.(1)
Wednesday, June 27, 2007 – 8:00 a.m.(1) **to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker/ Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, June 22, 2007 until 12:00 noon on Wednesday, June 27, 2007 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Wednesday, June 27, 2007 or if the Application Lists are not open on that day, by the time and date stated in the section headed "– Effect of bad weather conditions on the opening of the Application Lists" below.

Application Lists

The application lists will be opened from 11:45 a.m. to 12:00 noon on Wednesday, June 27, 2007, except as provided in the section headed "– Effect of bad weather conditions on the opening of the Application Lists" below. No proceedings will be taken on applications for the Hong Kong Offer Shares and no allocation of any such Shares will be made later than Thursday, July 5, 2007.

Effect of bad weather conditions on the opening of the Application Lists

The Application Lists will be opened between 11:45 a.m. and 12:00 noon on Wednesday, June 27, 2007, subject only to weather conditions. The Application Lists will not open in relation to the Hong Kong Public Offering if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 27, 2007. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

HOW TO APPLY USING A WHITE OR YELLOW AND/OR PINK APPLICATION FORM

Obtain a WHITE or YELLOW and/or PINK Application Form

You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

Decide how many Hong Kong Offer Shares you want to subscribe. Calculate the amount you must pay on the basis of the maximum Offer Price of HK$15.50 per Hong Kong Offer Share, plus brokerage fee of 1%, the SFC transaction levy of 0.004% (per side) and the Stock Exchange trading fee of 0.005% (per side). This means that for every 500 Shares you will pay HK$7,828.20. The Application Forms have tables showing the exact amount payable for certain multiples of shares up to 1,950,000 Shares (as indicated on the **PINK** Application Form) or 8,775,000 Shares (as indicated on the **WHITE** and **YELLOW** Application Forms). Your application must be for a minimum of 500 Shares. Application for more than 500 Shares must be in one of the number of Shares set out in the table in the respective Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorized attorney, the Company and Goldman Sachs (Asia) L.L.C., as lead manager for the Hong Kong Public Offering (or their respective agents or nominees), may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

Each Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorized by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to "Bank of China (Hong Kong) Nominees Limited – Stella International Public Offer"; and
- be crossed "Account Payee Only".

Your application is liable to be rejected if your cheque does not meet all these requirements or is dishonored on its first presentation.

If you pay by banker's cashier order the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorized by the bank. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;
- be in Hong Kong dollars;
- not be post-dated;
- be made payable to "Bank of China (Hong Kong) Nominees Limited – Stella International Public Offer"; and
- be crossed "Account Payee Only".

Your application is liable to be rejected if your banker's cashier order does not meet all these requirements.

Lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to above.

Multiple or suspected multiple applications are liable to be rejected. Please refer to the section headed "– How many applications you can make" below.

You should note that by signing the Application Form, among other things:

(i) you confirm that you have only relied on the information and representations in this prospectus in making your application and not on any other information or representation concerning us and you agree that neither we, the Global Coordinator, the Underwriters, the Sponsor nor any of their respective directors, officers, employees, partners, agents, advisors or any other parties involved in the Global Offering will have any liability for any such other information or representations;

(ii) you agree that our Company, the Global Coordinator, the Underwriters, the Sponsor and any of their respective directors, officers, employers, partners, agents or advisors are liable only for the information and representations contained in this prospectus and any supplement thereto;

(iii) you undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offering Shares, nor otherwise participate in the International Offering; and

(iv) you agree to disclose to us, our registrar, branch registrar, receiving bankers, advisors, agents and the Global Coordinator and their respective agents the personal data and any information which they require about you or the person(s) for whose benefit you have made this application.

In order for the **YELLOW** Application Forms to be valid:

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):**

— the designated CCASS Participant or its authorized signatories must sign in the appropriate box; and

— the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.

- **If you are applying as an individual CCASS Investor Participant:**

  — you must fill in your full name and your Hong Kong identity card number; and

  — you must insert your CCASS Participant I.D. and sign in the appropriate box.

- **If you are applying as a joint individual CCASS Investor Participant:**

  — you must insert all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all the joint CCASS Investor Participants; and

  — you must insert your CCASS Participant I.D. and the authorized signatory or signatories of the CCASS Investor Participant's stock account must sign in the appropriate box.

- **If you are applying as a corporate CCASS Investor Participant:**

  — you must insert your company name and your company's Hong Kong business registration number; and

  — you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company's name) in the presence of the authorized signatory or signatories of the CCASS Investor Participant's stock account in the appropriate box.

The signature(s), number of signatories and form of chop, where appropriate, in each **YELLOW** Application Form should match the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorized signatory or signatories (if applicable), CCASS Participant I.D. or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, we and the Global Coordinator and the Sponsor, as our agent, may accept it at their discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Global Coordinator and the Sponsor, in the capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" an identification number for each beneficial owner.

Personal data

The section of the Application Form headed "Personal data" applies to any personal data held by the Global Coordinator, the Sponsor, our Company, our registrar, our branch share registrar, receiving bankers, advisers, and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW MANY APPLICATIONS YOU CAN MAKE

(a) You may make more than one application for the Hong Kong Offer Shares only if:

- You are a **nominee**, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant); and (ii) lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include;

  — an account number; or

  — another identification number

  for each beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

- You are an eligible full-time employee of the Group and apply on a **PINK** Application Form.

Otherwise, multiple applications are not allowed. It will be a term and condition of all applications that by completing and delivering an Application Form (other than a **PINK** Application Form), you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorized to sign the Application Form as that other person's agent.

(b) **All** of your applications under the Hong Kong Public Offering are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC;
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC;
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC to apply for more than 50% of the Hong Kong Offer Shares initially being offered for subscription by the public after deducting the 1,950,000 Hong Kong Offer Shares available for subscription by eligible employees of the Group using **PINK** Application Forms (that is, to apply for more than 8,775,000 Shares); or
- make more than one application on a **PINK** Application Form; or
- apply on one **PINK** Application Form for more than 100% of the Hong Kong Offer Shares being offered to eligible full-time employees of the Group on a preferential basis; or
- apply for or take up any Offer Shares under the International Offering or otherwise participate in the International Offering or indicate an interest for any International Offering Shares.

(c) All of your applications are liable to be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) except if you are an eligible full-time employee of the Group you may also make an application on a **PINK** Application Form. If an application is made by an unlisted company and: (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit. **Unlisted company** means a company with no equity securities listed on the Stock Exchange. **Statutory control** in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System (*https://ip.ccass.com*) (according to the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you come to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Vicwood Plaza
199 Des Voeux Road
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Broker Participant or CCASS Custodian Participant to the Company and the Hong Kong branch share registrar.

Minimum subscription amount and permitted numbers

You may give **electronic application instructions** in respect of a minimum of 500 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

Application for Hong Kong Offer Shares by HKSCC Nominees on Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does all the things on behalf of each of such persons who:

- agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
- undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
- undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Shares under the International Offering;
- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
- understands that the above declaration will be relied upon by our Company, the Directors and the Global Coordinator in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- authorizes our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations and that person agrees that neither our Company, the Global Coordinator, the Underwriters, the Sponsor or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- agrees that our Company, the Global Coordinator, the Underwriters, the Sponsor and any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company and our registrar, our branch registrar, receiving bankers, advisors, agents and the Global Coordinator and their respective agents, the personal data and any information which they require about that person or the person(s) for whose benefit the application is made;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares; and
- agrees that such person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum offer price, brokerage, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies, in each case including brokerage, the SFC transaction levy and the Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Allocation of Hong Kong Offer Shares

For the purpose of allocating Hong Kong Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- No temporary documents of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Thursday, July 5, 2007 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) on our own website **www.stella.com.hk** and our Hong Kong Public Offering website **www.iporesults.com.hk**, and in special allocation results booklets which are available for inspection during opening hours of the branches or sub-branches of the receiving banks on Thursday, July 5, 2007. The basis of allotment of the Hong Kong Public Offering will be published on the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Thursday, July 5, 2007. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, July 5, 2007 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, July 5, 2007. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of any refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, July 5, 2007. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

Application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Sponsor, the Global Coordinator, the Underwriters and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit **electronic application instructions**, they should either:

(a) submit the **WHITE** or **YELLOW** Application Form (as appropriate); or

(b) go to HKSCC's Customer Service Centre to complete an application instruction input request form for **electronic application instructions** before 12:00 noon on Wednesday, June 27, 2007 or such later time as described in the section headed "– Effect of bad weather conditions on the opening of the Application Lists" above.

RESULTS OF ALLOCATIONS

The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including applications made under **WHITE**, **YELLOW** and **PINK** Application Forms and by giving **electronic application instructions** to HKSCC, which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of the Hong Kong Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- Results of allocations will be available from our website at **www.stella.com.hk** and our Hong Kong Public Offering website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Thursday, July 5, 2007 to 12:00 midnight on Wednesday, July 11, 2007. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling **2862 8669** between 9:00 a.m. and 10:00 p.m. from Thursday, July 5, 2007 to Sunday, July 8, 2007;
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, July 5, 2007 to Saturday, July 7, 2007 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "How to Apply for Hong Kong Offer Shares – Where to Collect the Application Forms".

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) for applicants on **WHITE**, **YELLOW** and **PINK** Application Forms, (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below); and/or

(b) for applicants on **WHITE**, **YELLOW** and **PINK** Application Forms, refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including brokerage at the rate of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% but without interest.

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and Share certificates for successful applicants under **WHITE** or **PINK** Application Forms are expected to be posted on or before Thursday, July 5, 2007. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of cheque(s).

(a) If you apply using a WHITE Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from our branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, July 5, 2007. If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your company chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) and Share certificate(s) within the time period specified for collection, they will be despatched promptly thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be sent to the address on your Application Form on Thursday, July 5, 2007 by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Thursday, July 5, 2007, or under a contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on our own website, our Hong Kong Public Offering website and in special allocation results booklets which are available for inspection during opening hours of the branches or sub-branches of the receiving bankers on Thursday, July 5, 2007. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, July 5, 2007 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

(c) If you apply using a PINK Application Form:

Share certificate(s) and/or refund cheque(s) (if any) made on **PINK** Application Forms will be sent to the Company on your behalf on the date of despatch and the Company will arrange for onward despatch to you at the address specified in your Application Form or as otherwise notified by you to the Company by ordinary post and at your own risk.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) If your application is revoked:

By completing and submitting an Application Form or giving an **electronic application instruction**, you agree that your application or the application made by HKSCC on your behalf is irrevocable until after the fifth day after the time of the opening of the Application Lists (which is expected to be July 5, 2007). This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or give your **electronic application instruction** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before Friday July 20, 2007 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Thursday, July 5, 2007 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If application(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominee on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing of the Application Lists.

(c) If you make applications under the Hong Kong Public Offering as well as the International Offering:

You or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) Shares in the International Offering. By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC electronically, you agree not to apply for International Offering Shares under the International Offering. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Offering Shares, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering.

(d) If the Company, the Global Coordinator or their respective agents exercise their discretion:

The Company, the Global Coordinator and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(e) Your application will be rejected or not be accepted if:

- your application is a multiple or a suspected multiple applications;
- your Application Form is not completed correctly in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive Offer Shares under the International Offering;
- we believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located;
- if you apply for more than 100% of the Shares available for allocation in either Pool A or Pool B Hong Kong Offer Shares; or
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with their respective terms thereof.

(f) If you are giving **electronic application instructions** to HKSCC to apply for Hong Kong Offer Shares on your behalf, you will also not be allocated any Hong Kong Offer Shares if HKSCC Nominee's application is not accepted.

REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, our Company will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the initial price per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of despatch of refund cheques will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Global Coordinator, cheques for applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Thursday, July 5, 2007 in accordance with the various arrangements as described above.

COMMENCEMENT OF DEALINGS IN THE SHARES

- Dealings in the Shares on the Stock Exchange are expected to commence on July 6, 2007.
- The Shares will be traded in board lots of 500 each. The stock code of the Shares is 1836.
- Any share certificates in respect of Hong Kong Offer Shares collected or received by successful applicants will not be valid if the Global Offering is terminated in accordance with the terms of the Underwriting Agreements.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

- If the Stock Exchange grants the listing of, and permission to deal in the Shares and the Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.
- All necessary arrangements have been made for the Shares to be admitted into CCASS.

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Deloitte.
德勤

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Deloitte Touche Tohmatsu
35/F One Pacific Place
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June 22, 2007

The Directors
Stella International Holdings Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Stella International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2006 (the "Relevant Periods") for inclusion in the prospectus of the Company dated June 22, 2007 (the "Prospectus").

The Company was incorporated as an exempted company with limited liability in Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on March 5, 2007. Pursuant to a group reorganisation, as more fully explained in the paragraph headed "Reorganisation" in Appendix VI to the Prospectus (the "Group Reorganisation"), the Company became the holding company of the Group on June 13, 2007.

As at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Interest holdings		Principal activities
			Direct %	Indirect %	
Dongguan Stella Footwear Company Limited(1) 東莞興昂鞋業有限公司 ("Stella Dongguan")	The People's Republic of China (the "PRC") June 12, 2003	HK$178,710,000	—	100	Manufacturing of footwear
Long Chuan Simona Footwear Company Limited(1) 龍川興萊鞋業有限公司 ("Long Chuan")	the PRC August 15, 2000	HK$155,300,000	—	100	Manufacturing of footwear
N.O.I. Holding Company Limited(2) ("N.O.I. Holding")	British Virgin Islands ("BVI") May 30, 2002	US$4	100	—	Investment holding
Selena Footwear Inc. ("Selena Footwear")	BVI March 21, 2001	US$1	—	100	Marketing, research and development activities
Stella Footwear Inc.(2) ("Stella Footwear")	BVI March 21, 2001	US$3,947	—	100	Investment holding, manufacturing and sale of footwear
Stella International Limited ("Stella International")	Vanuatu September 19, 1996	US$1	100	—	Investment holding, manufacturing and sale of footwear

Name of subsidiary	Place and date of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Interest holdings		Principal activities
			Direct %	Indirect %	
Stella Luna Fashion Inc.[1] 興記九興貿易(上海)有限公司 ("Stella Luna")	the PRC January 23, 2006	US$3,000,000	—	100	Footwear retailing
Stella International Marketing Company Limited ("Stella Marketing")	Malaysia August 23, 2006	US$10,000	100	—	Conducting marketing activities
Stella Luna Sol Limited ("Stella Luna Sol")	Hong Kong December 30, 2006	HK$1	100	—	Holding of intellectual property rights
Stellaluna (Thailand) Co., Ltd.	Thailand February 23, 2007	20,000,000 Baht	—	70.1	Footwear retailing

Notes:

(1) Stella Dongguan, Long Chuan and Stella Luna are wholly foreign-owned enterprises established in the PRC.

(2) Pursuant to agreements signed between Stella International and N.O.I Holding dated February 21, 2006 and between Stella International and Stella Footwear dated April 21, 2001, Stella International has full control to govern the financial and operating policies of N.O.I Holding and Stella Footwear from their respective dates of incorporation. Accordingly, N.O.I. Holding and Stella Footwear were accounted for as wholly-owned subsidiaries of the Company throughout the Relevant Periods. Further, in October 2006, N.O.I Holding and Stella Footwear allotted new ordinary shares and Stella International transferred all ordinary shares in N.O.I. Holding and Stella Footwear to certain ultimate shareholders of the Company. The allotments and transfers were made in connection with the application by the ultimate Taiwan shareholders of the Company to the Taiwan Investment Commission for approval of their respective investments in the PRC members of the Group. The Taiwan Investment Commission has subsequently approved these investments in January 2007.

The financial year end date of the companies now comprising the Group is December 31.

N.O.I. Holding, Selena Footwear, Stella Footwear, Stella Marketing and Stella Luna Sol did not prepare audited financial statements for the Relevant Periods because there is no statutory requirement in the countries of their incorporation.

The statutory financial statements of the Company's subsidiaries established in the PRC were prepared in accordance with the relevant accounting rules and financial regulations applicable to wholly foreign-owned enterprises registered in the PRC and were audited by certified public accountants registered in the PRC, for the Relevant Periods, as follows:

Name of company	Financial year	Name of auditors
Stella Dongguan	Each of the three years ended December 31, 2006	Dongguan Zhonglian Certified Public Accountants (東莞市中聯會計師事務所有限公司)
Long Chuan	Each of the three years ended December 31, 2006	LongChuan Golddragon United Accountant Copartnership (龍川金龍合伙會計師事務所有限公司)
Stella Luna	For the period from January 23, 2006 (date of establishment) to December 31, 2006	Shanghai JaHwa Certified Public Accountants (上海佳華會計師事務所)

For the purpose of this report, the Group has prepared the consolidated financial statements of Stella International and its subsidiaries for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "HKFRS financial statements"). We have undertaken an independent audit on the HKFRS financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the audited HKFRS financial statements of Stella International for the Relevant Periods, in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the audited HKFRS financial statements of Stella International (the "Underlying Financial Statements"), on the basis set out in note 1 of Section A below, without adjustment.

The Underlying Financial Statements are the responsibility of the directors of Stella International who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, 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 December 31, 2004, 2005 and 2006 and of the combined results and combined cash flows of the Group for each of the three years ended December 31, 2006.

A. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

	Notes	Year ended December 31		
		2004	2005	2006
		US$'000	US$'000	US$'000
Revenue	5	575,353	668,926	779,346
Cost of sales		(462,074)	(522,554)	(613,686)
Gross profit		113,279	146,372	165,660
Other income	6	6,885	14,232	15,007
Selling and distribution costs		(22,299)	(27,563)	(31,666)
Administrative expenses		(22,879)	(22,680)	(28,876)
Research and development costs		(21,880)	(24,514)	(26,403)
Finance costs	7	(13)	(31)	(91)
Profit before taxation		53,093	85,816	93,631
Taxation	8	(324)	(394)	(2,257)
Profit for the year	9	52,769	85,422	91,374
Earnings per share – basic (US$)	12	0.090	0.146	0.156

COMBINED BALANCE SHEETS

	Notes	As at December 31 2004	2005	2006
		US$'000	US$'000	US$'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	129,630	132,181	144,647
Prepaid lease payments – non-current portion	14	7,468	9,107	9,452
Deposit paid for acquisition of property, plant and equipment		76	49	584
		137,174	141,337	154,683
CURRENT ASSETS				
Inventories	15	67,770	65,308	77,908
Trade and other receivables	16	91,574	115,091	127,976
Prepaid lease payments – current portion	14	193	213	228
Amounts due from related companies	17	34,394	58,957	78,653
Investments held for trading	18	31,957	42,616	49,850
Cash and cash equivalents	19	38,829	63,167	73,673
		264,717	345,352	408,288
CURRENT LIABILITIES				
Trade and other payables	20	83,156	90,176	105,563
Amounts due to related companies	21	1	19,779	15,083
Tax payable		337	716	3,004
		83,494	110,671	123,650
NET CURRENT ASSETS		181,223	234,681	284,638
		318,397	376,018	439,321
CAPITAL AND RESERVES				
Share capital	22	—	—	—
Reserves		318,397	376,018	439,321
		318,397	376,018	439,321

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Exchange reserve	Accumulated profits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2004	—	45,440	9,067	220,463	274,970
Exchange differences on translation of foreign operations recognised directly in equity	—	—	7,786	—	7,786
Profit for the year	—	—	—	52,769	52,769
Total recognised income for the year	—	—	7,786	52,769	60,555
Dividend paid	—	—	—	(17,128)	(17,128)
At December 31, 2004	—	45,440	16,853	256,104	318,397
Exchange differences on translation of foreign operations recognised directly in equity	—	—	(9,235)	—	(9,235)
Profit for the year	—	—	—	85,422	85,422
Total recognised income and expense for the year	—	—	(9,235)	85,422	76,187
Dividend paid	—	—	—	(18,566)	(18,566)
At December 31, 2005	—	45,440	7,618	322,960	376,018
Exchange differences on translation of foreign operations recognised directly in equity	—	—	(6,284)	—	(6,284)
Profit for the year	—	—	—	91,374	91,374
Total recognised income and expense for the year	—	—	(6,284)	91,374	85,090
Dividend paid	—	—	—	(21,787)	(21,787)
At December 31, 2006	—	45,440	1,334	392,547	439,321

COMBINED CASH FLOW STATEMENTS

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
OPERATING ACTIVITIES			
Profit before taxation	53,093	85,816	93,631
Adjustments for:			
Depreciation of property, plant and equipment	9,322	12,582	13,006
Dividend income	(134)	(28)	(197)
Allowance for trade receivables	—	—	504
Interest expense	13	31	91
Interest income	(1,541)	(2,160)	(4,450)
Loss (gain) on changes in fair value of investments held for trading	142	(2,168)	2,346
Loss on disposal of property, plant and equipment	107	306	961
Release of prepaid lease payments	172	172	226
(Reversal of) allowance for inventories	(308)	835	291
Operating cash flows before movements in working capital	60,866	95,386	106,409
Increase in prepaid lease payments	(1,222)	(2,049)	(360)
(Increase) decrease in inventories	(20,035)	1,627	(12,891)
Increase in trade and other receivables	(28,909)	(23,517)	(13,389)
Decrease (increase) in amounts due from related companies	17,286	(24,563)	(19,696)
Increase in trade and other payables	16,267	4,343	11,035
(Decrease) increase in amounts due to related companies	(21,018)	17,020	(10,337)
NET CASH FROM OPERATING ACTIVITIES	23,235	68,247	60,771
INVESTING ACTIVITIES			
Deposit paid for acquisition of property, plant and equipment	(76)	(49)	(584)
Dividend received	134	28	197
Interest received	1,541	2,160	4,450
Proceeds from disposal of investments held for trading	37,061	27,418	17,381
Proceeds from disposal of property, plant and equipment	3,368	551	1,749
Purchase of investments held for trading	(46,254)	(35,909)	(26,961)
Purchase of property, plant and equipment	(63,554)	(18,617)	(23,891)
NET CASH USED IN INVESTING ACTIVITIES	(67,780)	(24,418)	(27,659)
FINANCING ACTIVITIES			
Dividend paid	(17,128)	(18,566)	(21,787)
Interest paid	(13)	(31)	(91)
CASH USED IN FINANCING ACTIVITIES	(17,141)	(18,597)	(21,878)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(61,686)	25,232	11,234
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	97,518	38,829	63,167
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,997	(894)	(728)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by	38,829	63,167	73,673
Bank balances and cash	38,743	49,292	51,784
Deposits placed in financial institutions	86	13,875	21,889
	38,829	63,167	73,673

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The combined income statements, combined statements of changes in equity and combined cash flow statements are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation/establishment of the relevant entity, where this is a shorter period. The combined balance sheets as at December 31, 2004, December 31, 2005 and December 31, 2006 present the assets and liabilities of the companies now comprising the Group which had been incorporated/established as at the relevant balance sheet date as if the current group structure had been in existence at those dates. The Group Reorganisation completed on June 13, 2007 was to intersperse the Company between Cordwalner Bonaventure Inc., the immediate holding company, and Stella International, N.O.I. Holding, Stella Marketing and Stella Luna Sol.

All significant intra-group transactions, cash flows and balances have been eliminated on combination.

The Financial Information is presented with United States dollar which is the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs"), amendments and Interpretations ("INTs") issued by the HKICPA which are either effective for the accounting periods beginning on or after January 1, 2005, December 1, 2005 or January 1, 2006.

At the date of this report, the HKICPA has issued the following standards, amendment and interpretations that are not yet effective. The Group has considered the following standards, amendment and interpretations but does not expect they will have a material effect on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies[3]
HK(IFRIC) – INT 8	Scope of HKFRS 2[4]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[5]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[6]
HK(IFRIC) – INT 11	HKFRS 2 Group and treasury share transactions[7]
HK(IFRIC) – INT 12	Service concession arrangements[8]

1 Effective for annual periods beginning on or after January 1, 2007.
2 Effective for annual periods beginning on or after January 1, 2009.
3 Effective for annual periods beginning on or after March 1, 2006.
4 Effective for annual periods beginning on or after May 1, 2006.
5 Effective for annual periods beginning on or after June 1, 2006.
6 Effective for annual periods beginning on or after November 1, 2006.
7 Effective for annual periods beginning on or after March 1, 2007.
8 Effective for annual periods beginning on or after January 1, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in accounting policies set out below. The Financial Information has been prepared in accordance with the accounting policies set out below, which conform with HKFRSs issued by the HKICPA. These policies have been consistently applied throughout the Relevant Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

Business combinations

The acquisition of subsidiaries, other than combination involving entities under common control, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Revenue recognition

Revenue is measured at fair value of consideration received or receivable and represents amount receivable for goods and services provided in the normal course of business.

Income from sale of goods is recognised when the goods are delivered and title has passed.

Interest income from financial assets are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the period of the relevant leases.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the combined income statement in the period in which the item is derecognised.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Foreign currencies

In preparing the financial information of the individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the financial information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. United States dollar) at the rate of exchange prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the combined income statement in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the respective balance sheet dates.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the combined financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets is realised based on tax rates that have been enacted by the respective balance sheet dates. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease terms on a straight line basis.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Stella International are recorded at the proceeds received, net of direct issue cost.

Derivatives financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as expenses when employees have rendered services entitling them to the contributions.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank balances, bank deposits, deposits placed in financial institutions, trade and other receivables, trade and other payables and amounts due from/to related companies. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain bank balances and cash of several subsidiaries of the Company with functional currency of United States dollar are denominated in Renminbi, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at December 31, 2004, 2005 and 2006 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the combined balance sheets. In order to minimise the credit risk, management of the Group has delegated a team of staff members responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with good reputation.

Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equities and debt securities price risk.

Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

5. REVENUE AND SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into three operating divisions:

Men's footwear	- manufacturing and sales of men's footwear
Women's footwear	- manufacturing and sales of women's footwear
Footwear retailing	- retailing of footwear

These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

For the year ended December 31, 2004

	Men's footwear	Women's footwear	Footwear retailing	Combined
	US$'000	US$'000	US$'000	US$'000
INCOME STATEMENT				
REVENUE				
External sales	273,820	301,533	—	575,353
RESULT				
Segment results	33,032	47,665	—	80,697
Unallocated corporate income				3,756
Unallocated corporate expenses				(31,347)
Finance costs				(13)
Profit before taxation				53,093
Taxation				(324)
Profit for the year				52,769
BALANCE SHEET				
ASSETS				
Segment assets	145,610	189,617	—	335,227
Unallocated corporate assets				66,664
Combined total assets				401,891
LIABILITIES				
Segment liabilities	41,963	35,103	—	77,066
Unallocated corporate liabilities				6,428
Combined total liabilities				83,494
OTHER INFORMATION				
Capital additions	52,569	11,832	—	64,401
Depreciation of property, plant and equipment	5,762	3,560	—	9,322
Release of prepaid lease payments	53	119	—	172
Loss on disposal of property, plant and equipment	70	37	—	107

For the year ended December 31, 2005

	Men's footwear	Women's footwear	Footwear retailing	Combined
	US$'000	US$'000	US$'000	US$'000
INCOME STATEMENT				
REVENUE				
External sales	314,183	354,743	—	668,926
RESULT				
Segment results	44,444	68,608	—	113,052
Unallocated corporate income				8,963
Unallocated corporate expenses				(36,168)
Finance costs				(31)
Profit before taxation				85,816
Taxation				(394)
Profit for the year				85,422
BALANCE SHEET				
ASSETS				
Segment assets	191,025	174,234	—	365,259
Unallocated corporate assets				121,430
Combined total assets				486,689
LIABILITIES				
Segment liabilities	45,362	34,932	—	80,294
Unallocated corporate liabilities				30,377
Combined total liabilities				110,671
OTHER INFORMATION				
Capital additions	10,432	8,626	—	19,058
Depreciation of property, plant and equipment	9,518	3,064	—	12,582
Release of prepaid lease payments	68	104	—	172
Loss on disposal of property, plant and equipment	192	114	—	306

For the year ended December 31, 2006

	Men's footwear	Women's footwear	Footwear retailing	Eliminations	Combined
	US$'000	US$'000	US$'000	US$'000	US$'000
INCOME STATEMENT					
REVENUE					
External sales	350,259	426,486	2,601	—	779,346
Inter-segment sales	—	1,567	—	(1,567)	—
Total	350,259	428,053	2,601	(1,567)	779,346

Inter-segment sales are charged at prevailing market rates

	Men's footwear	Women's footwear	Footwear retailing	Eliminations	Combined
RESULT					
Segment results	50,713	80,674	(1,327)	—	130,060
Unallocated corporate income					11,017
Unallocated corporate expenses					(47,355)
Finance costs					(91)
Profit before taxation					93,631
Taxation					(2,257)
Profit for the year					91,374
BALANCE SHEET					
ASSETS					
Segment assets	189,095	188,883	4,843	—	382,821
Unallocated corporate assets					180,150
Combined total assets					562,971
LIABILITIES					
Segment liabilities	48,660	47,666	2,664	—	98,990
Unallocated corporate liabilities					24,660
Combined total liabilities					123,650

	Men's footwear	Women's footwear	Footwear retailing	Combined
	US$'000	US$'000	US$'000	US$'000
OTHER INFORMATION				
Capital additions	15,783	9,729	128	25,640
Depreciation of property, plant and equipment	7,946	5,044	16	13,006
Release of prepaid lease payments	77	149	—	226
Loss on disposal of property, plant and equipment	245	716	—	961

Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
The United States	394,231	447,903	485,520
Europe	130,117	168,839	221,153
Asia, other than the PRC	16,462	19,931	25,703
The PRC, including Hong Kong	10,789	14,423	22,923
Others	23,754	17,830	24,047
	575,353	668,926	779,346

Over 90% of the identifiable assets of the Group are located in the PRC, no analysis on carrying amount of segment assets or additions to property, plant and equipment is presented.

6. OTHER INCOME

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Compensation income	—	—	3,700
Dividend income	134	28	197
Gain on changes in fair value of financial assets at fair value through profit or loss	—	2,168	—
Interest income on bank balances	1,024	1,188	1,619
Interest income on debentures	517	972	2,831
Net exchange gain	—	2,083	—
Rental income	3,501	4,163	3,723
Sales of scrap materials	744	1,868	1,360
Others	965	1,762	1,577
	6,885	14,232	15,007

7. FINANCE COSTS

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Interests on bank overdrafts	13	31	91

8. TAXATION

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Tax charge represents:			
PRC Foreign Enterprise Income Tax ("FEIT")	324	394	2,257

No provision for Hong Kong Profits Tax has been made as the Group's profit neither arose in, nor derived from Hong Kong during the Relevant Periods.

In accordance with Article 8 of the FEIT Law of the PRC, foreign investment enterprises ("FIEs") of production nature are eligible to enjoy two years of exemption and three years of 50% reduction in FEIT starting from the first profit-making year (the "2+3 tax holidays"). According to the local practices in Dongguan and Longchuan, the PRC, for production FIEs, the local FEIT would be also exempted during the 2+3 tax holidays. Long Chuan and Stella Dongguan are production FIEs established in the PRC and are subject to FEIT at 27%. According to 粵府[1992]52號 promulgated by the Guangdong Provincial Government on April 24, 1992, the local FEIT of 3% is exempt for FIEs located in Guangdong Province during the 2+3 tax holidays. During the 2+3 tax holidays, the applicable FEIT rates were 0% and 12% during the two-year exemption period and three-year 50% reduction period, respectively.

The first full exemption financial year of Stella Dongguan was the year ended December 31, 2005, whilst the first full exemption financial year of Long Chuan was the year ended December 31, 2004. Therefore, the effective tax rate for Stella Dongguan was 0% during the Relevant Periods, whilst the effective tax rates for Long Chuan were 0% for the two years ended December 31, 2005 and 12% for the year ended December 31, 2006.

Stella Luna is subject to FEIT at rate of 33% for the year ended December 31, 2006.

The income of Stella International and Selena Footwear derived from production, business operations and other sources in the PRC are subject to FEIT at rate of 33%.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation as follows:

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Profit before taxation	53,093	85,816	93,631
Tax at the applicable PRC FEIT rate of 12%	6,371	10,298	11,236
Tax effect of expenses not deductible for tax purposes (note 1)	6,194	4,372	8,006
Tax effect of income not taxable for tax purposes (note 2)	(12,174)	(13,219)	(14,169)
Effect of tax holidays granted to PRC subsidiaries	(67)	(1,057)	(2,816)
Tax charge for the year	324	394	2,257

Notes:

1. Tax effect of expenses not deductible mainly represents the subcontracting charges and operating expenses in the PRC with payment receipts but no invoices for tax deduction claim under the relevant tax jurisdictions.

2. Tax effect of income not taxable is the investment income and income of Stella International which are not assessable under the relevant tax jurisdictions. As Stella International has no fixed place to carry out the operation, it subcontracted and engaged other companies as services providers to perform supporting activities and remunerate them with the service fee.

9. PROFIT FOR THE YEAR

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Profit for the year has been arrived at after charging (crediting):			
Directors' emoluments (note 10)	2,799	5,280	3,329
Other staff costs	65,664	81,938	105,218
Retirement benefit scheme contributions, excluding directors	605	646	733
Total staff costs	69,068	87,864	109,280
Auditors' remuneration	4	4	1
Cost of inventories recognised as an expenses	462,382	521,719	613,395
Depreciation of property, plant and equipment	9,322	12,582	13,006
Allowance for trade receivables	—	—	504
Loss on disposal of property, plant and equipment	107	306	961
Loss on changes in fair value of financial assets at fair value through profit or loss	142	—	2,346
Net exchange loss	3,905	—	476
Release of prepaid lease payments	172	172	226
(Reversal of) allowance for inventories*	(308)	835	291

* The reversal of allowance for inventories was resulted from the usage of slow-moving inventories during the year ended December 31, 2004.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the directors of the Company for the Relevant Periods are as follows:

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Directors			
– fee	—	—	—
– salaries and other allowances	329	356	321
– bonus	2,470	4,924	3,008
– retirement benefit scheme contributions	—	—	—
	2,799	5,280	3,329
Mr. Chen Jiann Min, Jimmy	1,229	3,218	1,759
Mr. Chiang Jeh Chung, Jack	1,054	1,313	1,098
Mr. Chao Ming Cheng, Eric	63	352	81
Mr. Chi Lo Jen, Stephen	222	225	207
Mr. Shieh Tung-Pi, Billy	231	172	184
	2,799	5,280	3,329

Employees

The five highest paid individuals of the Group for the Relevant Periods included four directors, details of whose remunerations are set out above. The remunerations of the remaining individual are as follows:

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Employee			
– salaries and other allowances	581	538	657
– retirement benefit scheme contributions	—	—	—
	581	538	657

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employee) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation. However, during the Relevant Periods, dividends of US$17,128,000, US$18,566,000 and US$21,787,000 were paid by Stella International for the year ended December 31, 2004, 2005 and 2006, respectively, to its then shareholders prior to the Group Reorganisation. The rate of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

12. EARNINGS PER SHARE

The calculated of the basic earnings per share for the Relevant Periods is based on the following data:

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Profit for the year and earnings for the purpose of basic earnings per share	52,769	85,422	91,374
Number of shares for the purpose of basic earnings per share	585,000,000	585,000,000	585,000,000

The number of shares for the purpose of basic earnings per share represents 585,000,000 shares in issue as at the date of the Prospectus and issuable pursuant to the capitalisation issue.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixture and equipment	Motor vehicles	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST						
At January 1, 2004	22,640	47,611	3,511	3,203	17,129	94,094
Exchange adjustment	1,480	3,113	230	209	1,120	6,152
Additions	72	18,776	1,598	577	43,378	64,401
Transfer	13,547	8,955	351	349	(23,202)	—
Disposals	—	(3,752)	(266)	(325)	—	(4,343)
At December 31, 2004	37,739	74,703	5,424	4,013	38,425	160,304
Exchange adjustment	(954)	(1,890)	(121)	(103)	(971)	(4,039)
Additions	162	10,191	886	462	7,357	19,058
Transfer	29,281	4,262	856	376	(34,775)	—
Disposals	—	(1,609)	(122)	(260)	—	(1,991)
At December 31, 2005	66,228	85,657	6,923	4,488	10,036	173,332
Exchange adjustment	1,435	1,153	82	56	255	2,981
Additions	1,337	17,183	2,288	671	4,161	25,640
Transfer	9,446	1,670	113	—	(11,229)	—
Disposals	—	(4,378)	(353)	(462)	—	(5,193)
At December 31, 2006	78,446	101,285	9,053	4,753	3,223	196,760
DEPRECIATION						
At January 1, 2004	6,770	11,517	1,214	1,019	—	20,520
Exchange adjustment	501	996	110	93	—	1,700
Provided for the year	1,492	6,326	818	686	—	9,322
Eliminated on disposals	—	(565)	(70)	(233)	—	(868)
At December 31, 2004	8,763	18,274	2,072	1,565	—	30,674
Exchange adjustment	(264)	(603)	(54)	(50)	—	(971)
Provided for the year	2,509	8,422	1,058	593	—	12,582
Eliminated on disposals	—	(881)	(81)	(172)	—	(1,134)
At December 31, 2005	11,008	25,212	2,995	1,936	—	41,151
Exchange adjustment	102	283	30	24	—	439
Provided for the year	3,169	8,049	1,198	590	—	13,006
Eliminated on disposals	—	(1,851)	(266)	(366)	—	(2,483)
At December 31, 2006	14,279	31,693	3,957	2,184	—	52,113
CARRYING AMOUNTS						
At December 31, 2004	28,976	56,429	3,352	2,448	38,425	129,630
At December 31, 2005	55,220	60,445	3,928	2,552	10,036	132,181
At December 31, 2006	64,167	69,592	5,096	2,569	3,223	144,647

The following years are used for the depreciation of property, plant and equipment after considering their respective useful lives:

Buildings	20 years or shorter of the lease terms of the relevant land
Plant and machinery	5 – 10 years
Furniture, fixture and equipment	5 years
Motor vehicles	5 years

The Group has not yet obtained the legal title of the building with an aggregate carrying amount of US$13,212,000, US$12,155,000 and US$11,957,000, respectively, as at December 31, 2004, 2005 and 2006.

14. PREPAID LEASE PAYMENTS

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Current portion of prepaid lease payments	193	213	228
Non-current portion	7,468	9,107	9,452
	7,661	9,320	9,680

The carrying amount represents upfront payment for medium-term land use rights in the PRC.

The Group had paid substantially full consideration for land use rights in the PRC. However, the Group has not yet obtained the title of the land use rights with an aggregate carrying amount of US$2,278,000, US$2,165,000 and US$2,115,000, respectively as at December 31, 2004, 2005 and 2006. The carrying amount of prepaid lease payments included above of US$1,591,000, US$1,555,000 and US$1,495,000, respectively, as at December 31, 2004, 2005 and 2006 were paid for land use rights under the name of Sanford International Limited, a company under the control of the key management personnel of the Group.

15. INVENTORIES

	As at December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Raw materials	37,559	24,314	28,097
Work-in-progress	17,065	26,445	28,893
Finished goods	13,146	14,549	20,918
	67,770	65,308	77,908

16. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of 30 days to 90 days to its trade customers.

The aged analysis of the Group's trade receivables as at each of the balance sheet dates are as follows:

	As at December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Trade receivables:			
0 – 30 days	51,135	65,145	75,762
31 – 60 days	18,910	13,740	25,918
61 – 90 days	9,296	12,176	4,331
Over 90 days	3,401	11,180	3,428
	82,742	102,241	109,439
Other receivables:			
Advance to staff	607	248	260
Compensation receivable	—	—	3,700
Deposits paid for purchase of materials	6,854	11,456	11,530
Prepayments	1,242	553	1,789
Others	129	593	1,258
	8,832	12,850	18,537
	91,574	115,091	127,976

The directors consider that the carrying amounts of trade and other receivables approximate their fair values.

17. AMOUNTS DUE FROM RELATED COMPANIES

	As at December 31,			Maximum amount outstanding for year ended December 31,		
	2004	2005	2006	2004	2005	2006
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
東莞興騰鞋材有限公司	—	133	1,183	—	155	1,183
Sincerely International Limited	4,777	16,636	11,495	4,777	16,636	16,636
東莞市長安統刀模加工廠	213	23	—	213	256	256
興昂制革(惠州)有限公司	894	14,221	28,298	1,591	14,221	35,957
Sanford International Limited	15,986	16,357	16,916	15,986	16,357	16,916
東莞興和塑膠制品有限公司	4,750	8,717	15,963	4,750	8,717	15,963
Stella Investment Overseas Limited	4,798	2,870	4,798	4,798	4,798	4,798
興鵬國際股份有限公司	2,976	—	—	2,976	2,976	—
	34,394	58,957	78,653			

The above companies are controlled by the key management personnel of the Group.

The balances were unsecured, interest-free and repayable on demand. All balances were fully settled prior to the listing of the Company's Shares on the Stock Exchange.

The directors consider that the carrying amounts of amounts due from related companies approximate their fair values.

18. INVESTMENTS HELD FOR TRADING

	As at December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Equity securities listed in Hong Kong	—	2,524	418
Equity securities listed elsewhere	573	4,069	6,718
Credit-linked notes	2,212	2,353	3,516
Equity-linked notes	8,852	8,331	5,207
Mutual funds	13,505	14,199	13,206
Debentures with fixed interest of range 4.5% to 9.0% and maturity date on range January 11, 2006 to December 20, 2012	6,815	11,068	20,785
Warrant and currency options	—	72	—
	31,957	42,616	49,850

The above instruments are mainly a portfolio of identified financial instruments that are managed together and for short-term profit-taking.

The fair values of the above financial assets are determined based on the quoted market bid prices available on the relevant exchanges or prices quoted by the financial institutions.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances and cash held by the Group and short-term deposits placed in banks and financial institutions that are interest-bearing at market interest rates. All deposits are with maturity of three months or less.

Bank balances and cash held in the PRC as at December 31, 2004, 2005 and 2006 of US$3,444,000, US$5,815,000 and US$10,946,000, respectively, were subject to foreign exchange control.

The bank deposits carry fixed interest rates ranging from 0.8% to 2.18%, 2.16% to 4.17% and 4.07% to 5.10% per annum, respectively, as at December 31, 2004, 2005 and 2006. The directors consider that the fair values of the cash and cash equivalents approximate their carrying amounts.

20. TRADE AND OTHER PAYABLES

The aged analysis of the Group's trade payables at each of the balance sheet dates are as follows:

	As at December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Trade payables:			
0 – 30 days	28,480	28,382	31,033
31 – 60 days	25,948	25,263	26,972
Over 60 days	8,860	8,732	9,469
	63,288	62,377	67,474
Other payables:			
Accruals	16,063	24,476	31,886
Amounts payable for purchase of property, plant and equipment	25	401	2,079
Construction cost payable	392	382	404
Land use rights payable	1,099	1,071	1,116
Deposits received from customers	1,963	1,343	2,087
Others	326	126	517
	19,868	27,799	38,089
	83,156	90,176	105,563

The directors consider that the carrying amounts of trade and other payables approximate their fair values.

21. AMOUNTS DUE TO RELATED COMPANIES

	As at December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Sanford International Limited (aged within 30 days)	1	—	—
東莞市長安統刀模加工廠 (aged within 30 days)	—	—	17
興鵬國際股份有限公司	—	19,779	15,066
	1	19,779	15,083

The balances were unsecured, interest-free and were fully settled prior to the listing of the Company's Shares on the Stock Exchange.

The directors consider that the carrying amounts of amounts due to related companies approximate their fair values.

22. SHARE CAPITAL

	As at December 31,			As at December 31,		
	2004	2005	2006	2004	2005	2006
	Number	Number	Number	US$'000	US$'000	US$'000
Stella International US$1 each	1	1	1	—	—	—

For the purpose of the preparation of the combined balance sheets, the balance of the share capital at December 31, 2004, 2005 and 2006 represented the share capital of Stella International before the Group Reorganisation.

23. OPERATING LEASE

The Group as lessor

At the respective balance sheet dates, the Group had contracted with tenants for the following future minimum lease payments:

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Within one year	282	313	329
In the second to fifth year inclusive	602	720	326
	884	1,033	655

All of the properties held have committed tenants for the next two years. Leases are negotiated for term varying from one to four years.

The Group as lessee

Minimum lease payments paid under operating lease during the Relevant Periods:

	Year ended December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Properties	725	184	207

At the respective balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2004	2005	2006
	US$'000	US$'000	US$'000
Within one year	923	976	1,655
In the second to fifth year inclusive	3,757	3,675	3,585
Over five years	1,581	910	793
	6,261	5,561	6,033

Operating lease payments represent rentals payable by the Group for certain of its factories and staff quarters. Leases are negotiated for an average term of two years with fixed rentals.

24. CAPITAL COMMITMENTS

	As at December 31,		
	2004	2005	2006
	US$'000	US$'000	US$'000
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of property, plant and equipment	6,539	5,141	1,181

25. RETIREMENT BENEFIT PLANS

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

26. CONTINGENT LIABILITIES

At December 31, 2006, the Group had given guarantees of approximately US$10,000,000 to a bank in respect of banking facilities granted to Simona Tanning Inc., a company under the control of the directors of the Group. Simona Tanning Inc. did not utilise the facilities as at December 31, 2006.

27. RELATED PARTY DISCLOSURES

(I) Related party transactions

Company	Transaction	Year ended December 31, 2004	2005	2006
		US$'000	US$'000	US$'000
興昂制革(惠州)有限公司[1]	Purchase of materials	—	—	12,144
Sincerely International Limited[2]	Purchase of consumables	1,029	1,389	2,623
東莞興和塑膠制品有限公司[1]	Purchase of materials	—	386	1,140
Sanford International Limited[2]	Purchase of materials	3,575	3,276	9,281
	Rental income	186	192	276
興鵬國際股份有限公司[1]	Purchase of materials	23,749	23,359	20,503
	Purchase of machinery	2,485	730	1,139
東莞市長安統刀模加工廠[2]	Purchase of materials	—	—	3,041
	Purchase of machinery	—	—	151
	Rental income	160	189	87

1. Companies under the control of the directors of the Company
2. Companies under the control of key management personnel of the Group

In the opinion of the directors, the above transactions will continue following the listing of the Company's shares on the Stock Exchange.

During the Relevant Periods, the Group occupied the buildings of Sanford International Limited without paying any consideration.

In July 2000, the Group entered into an agreement with an independent third party to rent factory buildings for a period of ten years with a fixed monthly rental of RMB530,000. These factory buildings were occupied and the related rental expenses were borne by Sanford International Limited during the Relevant Periods. The Group's commitments under this operating lease were included in note 23. This lease arrangement was terminated in May 2007.

(II) Related party balances

Details of the Group's outstanding balances with related parties are set out on the combined balance sheets, in notes 17 and 21.

(III) Credit facilities

As at December 31, 2006, credit facilities of US$20,000,000 granted to the Group and Simona Tanning Inc, together were guaranteed by Mr. Chen Jiann Min, Jimmy, a director and Mr. Chen Li Min, Lawrence, a key management personnel of the Company. In addition, the Group had given corporate guarantee of US$10,000,000 to secure the banking facilities granted to Simona Tanning Inc., as at December 31, 2006 as disclosed in note 26. The personal guarantee by the director and the key management personnel and the corporate guarantee will be released upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

B. DISTRIBUTABLE RESERVES

The Company was incorporated on March 5, 2007 and accordingly, the Company had no net assets and no reserves available for distribution to the shareholders were presented for the Relevant Periods.

C. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration was paid or is payable by the Company or any of its subsidiaries to the Company's directors in respect of the Relevant Periods.

Details of the aggregate remuneration of the Company's directors for the year ending December 31, 2007 under the arrangement presently in force are set out in the paragraph headed "Particulars of Directors' service agreements" in Appendix VI to this Prospectus.

D. SUBSEQUENT EVENTS

The following events occurred subsequent to December 31, 2006:

a) On June 15, 2007, the Company declared a special dividend of US$220 million to its then shareholders prior to the Group Reorganisation.

b) The Group Reorganisation was completed on June 13, 2007. Details of the Group Reorganisation are set out in the paragraph headed "Reorganisation" in Appendix VI to the Prospectus.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to December 31, 2006.

F. ULTIMATE HOLDING COMPANY AND IMMEDIATE HOLDING COMPANY

The Company's ultimate holding company and immediate holding company is Cordwalner Bonaventure Inc.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The forecast of our combined profit attributable to equity holders of the Company for the financial year ending December 31, 2007 is set forth in the section headed "Financial Information" in this prospectus.

(A) BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of our combined profit attributable to equity holders of the Company for the financial year ending December 31, 2007 based on our results for the four months ended April 30, 2007 shown in the unaudited management accounts of the Group and a forecast of the results of the Group for the remaining eight months for the financial year ending December 31, 2007.

The profit forecast has been prepared on the basis of accounting policies consistent in all material respects with those currently adopted by us as summarized in the accountants' report, the text of which is set forth in Appendix I to this prospectus.

Our Directors have made the following principal assumptions in the preparation of the profit forecast:

- there will be no material change in the existing political, legal, fiscal or economic conditions in the US, PRC, Hong Kong or any of the countries or territories in which the Group currently operates or which are otherwise material to the Group's revenue;
- there will be no material changes in the bases or rates of taxation or duties in the PRC or any of the countries or territories in which the Group currently operates or in which we are incorporated or registered;
- based on information currently available to our Directors, there will be no tariff reduction that will have a material adverse effect on the Group's business;
- there will be no material changes in foreign currency exchanges rates, interest rates and inflation rates from those currently prevailing; and
- there will be no material changes in the legislation or regulations in the US, PRC and Hong Kong or any of the countries or territories in which the Group operates, or in which we are incorporated or registered, or with which the Group has arrangements or agreements, which materially adversely affect the Group's business.

(B) LETTERS

Set forth below is the text of the letters received by the Directors from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, and from the Sponsor in connection with our profit forecast for the financial year ending December 31, 2007:

(i) Letter from Deloitte Touche Tohmatsu

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

June 22, 2007

The Directors
Stella International Holdings Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the combined profit attributable to equity holders of Stella International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending December 31, 2007 (the "Profit Forecast"), for which the directors of the Company (the "Directors") are solely responsible, as set out in the prospectus dated June 22, 2007 issued by the Company (the "Prospectus"). The Profit Forecast is prepared based on the results shown in the unaudited management accounts of the Group for the four months ended April 30, 2007 and a forecast of the results of the Group for the remaining eight months of the year ending December 31, 2007.

In our opinion the Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors as set out on page II-1 of Appendix II to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated June 22, 2007.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(ii) Letter from the Sponsors

Goldman Sachs

June 22, 2007

The Directors
Stella International Holdings Limited

Room 1301-05, 13th Floor
Union Park Centre
No.771-775, Nathan Road
Kowloon, Hong Kong

Dear Sirs,

We refer to the forecast of the combined profit attributable to equity holders of Stella International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending December 31, 2007 (the "Forecast") as set out in the paragraph headed "Profit Forecast" under the section headed "Financial Information" in the prospectus issued by the Company on June 22, 2007 (the "Prospectus").

The Forecast, for which you as the directors of the Company (the "Directors") are solely responsible, has been prepared based on the unaudited management accounts of the Group for the four months ended April 30, 2007 and a forecast of the results of the Group for the remaining eight months ending December 31, 2007.

We have discussed with you the bases and assumptions made by the directors of the Company as set out in Appendix II to the Prospectus upon which the Forecast has been made. We have also considered the letter dated June 22, 2007 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the foregoing, the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we have formed the opinion that the Forecast, for which you as Directors are solely responsible, has been made after due and careful enquiry and consideration.

Yours faithfully,
For and on behalf of
Goldman Sachs (Asia) L.L.C.
HENRY CHEN
Managing Director

For illustrative purpose, only the financial information prepared in accordance with Rule 4.29 of the Listing Rule, is set out here to provide the prospective investors with further information about how the proposed listing might have affected the financial position of the Group after completion of the Global Offering. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the financial position of the Group as at December 31, 2006 or at any future date or the earnings per Share of the Group for the year ending December 31, 2007 or any future period.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group as at December 31, 2006 is based on the audited combined net tangible assets of the Group as at December 31, 2006, included in Appendix I to this prospectus and adjusted as follow:

	Audited combined net tangible assets attributable to the equity holders of the Company as at December 31, 2006(1) US$'000	Estimated net proceeds from the offer of new Shares(2) US$'000	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at December 31, 2006(3) US$'000	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at December 31, 2006 per Share(4) US$
Based on an Offer Price of HK$15.5 per Share	439,321	370,545	809,866	1.04
Based on an Offer Price of HK$12.5 per Share	439,321	297,701	737,022	0.94

(1) The audited combined net tangible assets attributable to the equity holders of the Company as at December 31, 2006 represents the net assets of the Group as at that date as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this prospectus, without adjustment.

(2) The estimated net proceeds from the offer of 195,000,000 new Shares are based on the Offer Price of HK$15.50 and HK$12.50 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at December 31, 2006 do not take into account the special dividend of approximately US$220 million declared by the Directors to our then sole Shareholder prior to the Listing. The dividend will be paid prior to the Listing Date.

(4) The unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at December 31, 2006 per Share is based on 780,000,000 Shares (being the number of shares expected to be in issue immediately after completion of the Global Offering and the Capitalization Issue). No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option.

(B) UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

Forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2007(Note 1)	not less than US$103.9 million
Pro forma forecast earnings per Share *(Note 2)*	not less than US$0.13

Notes:

1. The forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2007 has been prepared on the bases and assumptions set out in Appendix II to this prospectus.
2. The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2007, assuming that our Company had been listed since January 1, 2007 and a total of 780,000,000 Shares were issued and outstanding during the entire year. This calculation assumes that the Over-allotment Option will not be exercised and the Shares to be issued pursuant to the Global Offering and the Capitalization Issue were issued on January 1, 2007.

Deloitte.
德勤

Accountants' Report on unaudited pro forma financial information to the directors of Stella International Holdings Limited

We report on the unaudited pro forma financial information of Stella International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed global offering of 195,000,000 new shares of HK$0.10 each in the Company might have affected the financial information presented, for inclusion in Section A and Section B in Appendix III to the prospectus dated June 22, 2007 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix III to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at December 31, 2006 or at any future date;
- the earnings per share of the Group for the year ending December 31, 2007 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 22, 2007

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at March 31, 2007 of the property interests of the Group.

Sallmanns

Corporate valuation and consultancy
www.sallmanns.com

22nd Floor, Siu On Centre
188 Lockhart Road
Wanchai, Hong Kong
Tel: (852) 2169 6000
Fax: (852) 2528 5079

June 22, 2007

The Board of Directors
Stella International Holdings Limited

Dear Sirs,

In accordance with your instructions to value the properties in which Stella International Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at March 31, 2007.

Our valuations of the property interests represent the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Where, due to the nature of the buildings and structures of the properties in the PRC, there are no market sales comparables readily available, the property interests in Group I have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Group II, which is leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition May 2003) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition January 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Real Estate Ownership Certificates, official plans and other relevant title certificates and contracts relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the advice given by the Company's PRC legal adviser – Jingtian and Gongcheng Attorneys at Law, concerning the validity of the Group's titles to the property interests in the PRC.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 24 years' experience in the valuation of properties in the PRC and 27 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

GROUP I – PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital Value in existing state as at March 31, 2007 *RMB*
1.	A parcel of land, various buildings and structures located at Daling Village Dalingshan County Dongguan Guangdong Province The PRC	46,500,000
2.	A parcel of land, various buildings and structures located at Section 5 of Economy and Technology Development Area Longchuan County Heyuan Guangdong Province The PRC	134,406,000
3.	A parcel of land, various buildings and structures located at Xiaobian Village Chang'an County Dongguan Guangdong Province The PRC	16,184,000
	Sub-total:	197,090,000

GROUP II – PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital Value in existing state as at March 31, 2007 *RMB*
4.	A unit on Level 2, Building 5 No. 658 Jinzhong Road Changning District Shanghai The PRC	No commercial value
5.	Levels 1 and 2 of a Building located at No. 858 Huaihai Zhong Road Luwan District Shanghai The PRC	No commercial value

No.	Property	Capital Value in existing state as at March 31, 2007 *RMB*
6.	Shop nos. 213B and C of Ganghui Square located at No. 1 Hongqiao Road Xuhui District Shanghai The PRC	No commercial value
7.	Workshop 3F located at No. 2 No.1273 Bystreet Tongpu Road Shanghai The PRC	No commercial value
8.	Retail Shop No. 19 No.816 Bystreet Huaihai Zhong Road Shanghai The PRC	No commercial value
9.	Units 01 to 20 of Laifushi Square located at No. 268 Xizang Dong Road Huangpu District Shanghai The PRC	No commercial value
10.	A parcel of land located at Xinhu Industrial Park Ma'an County Huicheng Huizhou Guangdong Province The PRC	No commercial value
11.	Level 20 of Fushen Edifice located at No. 8 Beihai Road Huangpu District Shanghai The PRC	No commercial value
	Sub-total:	Nil
	Total:	197,090,000

VALUATION CERTIFICATE

GROUP I – PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2007 *RMB*
1.	A parcel of land various buildings and structures located at Daling Village Dalingshan County Dongguan Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 145,375.50 sq.m. on which are constructed 32 buildings and various structures completed in various stages between 2004 and 2006. The buildings have a total gross floor area of approximately 230,387.98 sq.m. The buildings mainly include industrial buildings, office buildings and dormitories. The gross floor area of each usage are set out as follows: **Usage** / **G.F.A (sq.m.)** / **Percentage** Business / 135,449.98 / 58.8% Ancillary / 94,938 / 41.2% The structures mainly include road, boundary wall and grass court. The land use rights of the property were granted for a term of 50 years expiring on August 16, 2055 for industrial use.	The property is currently occupied by Dongguan Stella Footwear Co., Ltd. for production purposes.	46,500,000

Notes:

1. Dongguan Stella Footwear Co., Ltd. (Dongguan Stella Footwear) is a wholly-owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate – Dong Fu Guo Yong (2005) Te No. 1341 issued by the Government of Dongguan Municipality, the land use rights of a parcel of land with a site area of approximately 145,375.50 sq.m. were granted to Dongguan Stella Footwear for a term of 50 years expiring on August 16, 2055 for industrial use.
3. Pursuant to 28 Construction Works Planning Permits – Nos. 2006-15-10084 to 2006-15-10111, issued by the Construction Bureau of Dongguan City in favour of Dongguan Stella Footwear, portion of the buildings with a total gross floor area of approximately 219,988.9 sq.m. have been approved for construction.
4. Pursuant to 7 Construction Work Commencement Permits – Nos. 441900200404010501, 441900200404010601, 4419002004040100101, 441900200307030201, 441900200404010201, 441900200404010601 and 441900200404010301 issued by the Construction Bureau of Dongguan Municipality in favour of Dongguan Stella Footwear, permission for construction of the buildings with a total gross floor area of approximately 219,988.9 sq.m. were given by the relevant local authority.
5. In the course of our valuation, we have not attributed any commercial value to 32 buildings with a total gross floor area of approximately 230,387.98 sq.m. and the structures of the property as the buildings have not obtained relevant Real Estate Ownership Certificates. However, for reference purposes, we are of the opinion that the capital value of the buildings and structures (excluding the land) as at the date of valuation would be RMB239,374,000 assuming all relevant title certificates had been obtained and they could be freely transferred.
6. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   i. The land use rights of the property are legally owned by the Group and can be freely transferred, leased, mortgaged or otherwise disposed of by the Group.
   ii. Dongguan Stella Footwear is in the process of applying for the Real Estate Ownership Certificates of the property, there is no material legal impediment for Dongguan Stella Footwear to obtain the relevant title certificates after Dongguan Stella Footwear get the construction work completion certificates.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2007 *RMB*
2.	A parcel of land various buildings and structures located at Section 5 of Economy and Technology Development Area Longchuan County Heyuan Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 108,875.00 sq.m. on which are constructed 17 buildings and various structures completed in various stages between 2003 and 2006. The buildings have a total gross floor area of approximately 98,030.44 sq.m. The buildings mainly include factory buildings, office buildings and dormitories. The gross floor area of each usage are set out as follows:	The property is currently occupied by Longchuan Simona Footwear Co., Ltd. for production purposes.	134,406,000

Usage	G.F.A (sq.m.)	Percentage
Business	70,791.00	72.2%
Ancillary	27,239.44	27.8%

The structures mainly include road, boundary wall and grass court.

The land use rights of the property were granted for a term of 50 years expiring on September 17, 2052 for industrial use.

Notes:

1. Longchuan Simona Footwear Co., Ltd. (Longchuan Simona Footwear) is a wholly-owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate – Long Guo Yong (Chu) Zi No. 0000219 issued by the Government of Longchuan County, the land use rights of a parcel of land with a site area of approximately 108,875.00 sq.m. were granted to Longchuan Simona Footwear for a term of 50 years expiring on September 17, 2052 for industrial use.
3. Pursuant to 12 Real Estate Ownership Certificates – Yue Fang Di Zheng Zi Nos. C5487002 to 5487013 issued by the Government of Longchuan County, the land use rights of a parcel of land with a site area of approximately 108,875 sq.m. and 11 buildings with a total gross floor area of approximately 94,961.94 sq.m. are vested in Longchuan Simona Footwear.
4. In the course of our valuation, we have not attributed any commercial value to 6 buildings with a total gross floor area of approximately 3,068.5 sq.m., as the buildings have not obtained relevant Real Estate Ownership Certificates. However, for reference purposes, we are of the opinion that the capital value of the buildings (excluding the land) as at the date of valuation would be RMB1,855,000 assuming all relevant title certificates had been obtained and they could be freely transferred.
5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   i. The land use rights of the property are legally owned by the Group and can be freely transferred, leased, mortgaged or disposed of by the Group.
   ii. The building ownership rights of 11 buildings with a total gross floor area of approximately 94,961.94 sq.m. are legally vested in Longchuan Simona Footwear.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2007 *RMB*
3.	A parcel of land, various buildings and structures located at Xiaobian Village Chang'an County Dongguan Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 43,156.40 sq.m. on which are constructed 24 buildings and various structures completed in various stages between 1991 and 2003. The buildings have a total gross floor area of approximately 24,158.37 sq.m. The buildings mainly include factory buildings, office buildings and dormitories. The gross floor area of each usage are set out as follows:	The property is currently occupied by Dongguan Stella Footwear for production purposes.	16,184,000

Usage	G.F.A (sq.m.)	Percentage
Business	15,797.18	65.4%
Ancillary	8,361.19	34.6%

The structures mainly include road, boundary wall and grass court.

The land use rights of the property were granted for a term of 50 years expiring on September 16, 2040 for industrial use.

Notes:

1. Dongguan Stella Footwear Co., Ltd. (Dongguan Stella Footwear) is a wholly-owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate – Dong Fu Ji Yong (2000) No. 1900120205476 issued by the Government of Guangdong Province, the land use rights of a parcel of land with a site area of approximately 43,156.40 sq.m. were granted to Dongguan Stella Footwear for a term of 50 years expiring on September 16, 2040 for industrial use.
3. In the course of our valuation, we have not attributed any commercial value to 24 buildings with a total gross floor area of approximately 24,158.37 sq.m. and structures of the property as the buildings have not obtained relevant Real Estate Ownership Certificates. However, for reference purposes, we are of the opinion that the capital value of the buildings and structures (excluding the land) as at the date of valuation would be RMB15,592,000 assuming all relevant title certificates had been obtained and they could be freely transferred.
4. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   i The land use rights of the property are legally owned by the Group and can be freely transferred, leased, mortgaged or disposed of by the Group.

   ii Dongguan Stella Footwear did not obtain the Real Estate Ownership Certificates of the property, but still has the rights to use them. There is no material legal impediment for Dongguan Stella Footwear to obtain the relevant title certificates after Dongguan Stella Footwear obtains the construction work completion certificates.

VALUATION CERTIFICATE

GROUP II – PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2007 *RMB*
4.	A unit on Level 2, Building 5 No. 658 Jinzhong Road Changning District Shanghai The PRC	The property comprises a unit on level 2 of a 6-storey building completed in about 2002. The property has a lease area of approximately 642.70 sq.m. The property is leased to Stella Luna Fashion Inc. from an independent third party for a term of 3 years commencing from September 16, 2005 and expiring on September 15, 2008 at a monthly rent of RMB37,142, exclusive of management fee.	The property is currently occupied by the Group for storehouse and office purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreements entered into between Shanghai Zi'an Textile Technology Co., Ltd. and Stella Luna Fashion Inc. (a wholly owned subsidiary of the Company) dated 2005, the property with a lease area of approximately 642.70 sq.m. is leased to Stella Luna Fashion Inc. for a term of 3 years commencing from September 16, 2005 and expiring on September 15, 2008 at a monthly rent of RMB 37,142, exclusive of management fee.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, *inter alia*, the following:
   i. The Tenancy Agreement is valid, binding and enforceable under the PRC laws.
   ii. Pursuant to a Real Estate Ownership Certificate – Hu Fang Di Chang Zi No. 003451, the lessor of the property is the legal owner of the property and has the legal rights to lease the property.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2007 *RMB*
5.	Levels 1 and 2 of a Building located at No. 858 Huaihai Zhong Road Luwan District Shanghai The PRC	The property comprises levels 1 and 2 of a 4-storey building completed in about 1932. The property has a total lease area of approximately 195 sq.m. The property is leased to Stella Luna Fashion Inc. from an independent third party for a term of 3 years commencing from October 1, 2006 and expiring on September 30, 2009 at a monthly rent of RMB185,000, exclusive of management fee.	The property is currently occupied by the Group as retail shop.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Shanghai Jinteng General Merchandise Co., Ltd. and Stella Luna Fashion Inc. dated September 28, 2006, the property with a lease area of approximately 195 sq.m. is leased to Stella Luna Fashion Inc., for a term of 3 years commencing from October 1, 2006 and expiring on September 30, 2009 at a monthly rent of RMB185,000, exclusive of management fee.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   i. The Tenancy Agreement is valid, binding and enforceable under the PRC laws.
   ii. Pursuant to a Real Estate Ownership Certificate - Hu Fang Di Lu Zi No. 006312, the property is owned by Shanghai Yimin Commercial Investment Development Co., Ltd.
   iii. The lessor had been authorized by Shanghai Yimin Commercial Investment Development Co., Ltd. to lease the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2007 *RMB*
6.	Shop nos. 213B and C of Ganghui Square located at No. 1 Hongqiao Road Xuhui District Shanghai The PRC	The property comprises 2 shops of a 7-storey building completed in about 1999. The property has a total lease area of approximately 69.3 sq.m. The property is leased to Stella Luna Fashion Inc. from an independent third party for a term of 2 years commencing from September 1, 2006 and expiring on August 31, 2008 at an annual rent of RMB83,980 for the first year and RMB92,380 for the second year, exclusive of management fee.	The property is currently occupied by the Group as retail shop.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Shanghai Ganghui Real Estate Development Co., Ltd. and Stella Luna Fashion Inc., dated August 17, 2006, the property with a lease area of approximately 69.3 sq.m. is leased to Stella Luna Fashion Inc., for a term of 2 years commencing from September 1, 2006 and expiring on August 31, 2008 at an annual rent of RMB83,980 for the first year and RMB92,380 for the second year, exclusive of management fee.
2 We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   i. The Tenancy Agreement is valid, binding and enforceable under the PRC laws.
   ii. Pursuant to a Real Estate Ownership Certificate - Hu Fang Di Xu Zi No. 023945, the lessor is the legal owner of the property and has the legal rights to lease the property.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2007 *RMB*
7.	Workshop 3F located at No. 2 No.1273 Bystreet Tongpu Road Shanghai The PRC	The property comprises a workshop completed in about 2000. The property has a lease area of approximately 935 sq.m. The property is leased to Stella Luna Fashion Inc. from an independent third party for a term of 3 years commencing from January 12, 2007 and expiring on January 11, 2010 at an annual rent of RMB273,020 exclusive of management fee.	The property is currently occupied by the Group for production purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Shanghai Yunling Industry and Trade Co., Ltd. and Stella Luna Fashion Inc., the property with a lease area of approximately 935 sq.m. is leased to Stella Luna Fashion Inc. for a term of 3 years commencing from January 12, 2007 and expiring on January 11, 2010 at an annual rent of RMB273,020 exclusive of management fee.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   i. As the lessor of the property has not provided with the relevant title certificate of the property, so the legality and validity of the tenancy agreement can not be ascertained.
   ii. If the tenancy agreement is not considered valid, the lessee could be required to return the property to the lessor. This does not affect the validity of the dispute resolution clauses of the agreement and the lessee may, in accordance with the law, claim the lessor for compensation for the invalidity of the tenancy agreement.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2007 *RMB*
8.	Retail Shop No. 19 No.816 Bystreet Huaihai Zhong Road Shanghai The PRC	The property comprises a unit of a 4-storey building completed in about 1930. The property has a total lease area of approximately 20 sq.m. The property is leased to Stella Luna Fashion Inc. from an independent third party for a term of 2 years and 10 months commencing from May 1, 2006 and expiring on February 28, 2009 at an annual rent of RMB216,000 exclusive of management fee.	The property is currently occupied by the Group as retail shop.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Shanghai Jinlong Commerce Co., Ltd. Silk and Nelon Branch and Stella Luna Fashion Inc. dated April 25, 2006, the property with a lease area of approximately 20 sq.m. is leased to Stella Luna Fashion Inc. for a term of 2 years and 10 months commencing from May 1, 2006 and expiring on 28 February 2009 at an annual rent of RMB216,000 exclusive of management fee.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   i. As the Group has not been provided with the relevant title certificate and authorization for sub-leasing of the property, so the legality and validity of the tenancy agreement can not be ascertaine.

   ii. If the tenancy agreement is not considered valid, the lessee could be required to return the property to the lessor. This does not affect the validity of the dispute resolution clauses of the agreement and the lessee may, in accordance with the law, claim the lessor for compensation for the invalidity of the tenancy agreement.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2007 *RMB*
9.	Units 01 to 20 of Laifushi Square located at No. 268 Xizang Dong Road Huangpu District Shanghai The PRC	The property comprises 20 units on the first level of an 8-storey building completed in about 2003. The property has a total lease area of approximately 64.5 sq.m. The property is leased to Stella Luna Fashion Inc. from an independent third party for a term of 2 years commencing from December 1, 2006 and expiring on November 30, 2008 at a monthly rent of RMB88,284.38 exclusive of management fee.	The property is currently occupied by the Group as retail shop.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Shanghai Huaqing Real Estate Development Co., Ltd. and Stella Luna Fashion Inc. dated November 1, 2006, the property with a lease area of approximately 64.5 sq.m. is leased to Stella Luna Fashion Inc. for a term of 2 years commencing from December 1, 2006 and expiring on November 30, 2008 at a monthly rent of RMB88,284.38 exclusive of management fee.

2 We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   i. The Tenancy Agreement is valid, binding and enforceable under the PRC laws.

   ii. Pursuant to a Real Estate Ownership Certificate - Hu Fang Di Huang Zi No. 004306, the lessor of the property is the legal owner of the property and has the legal rights to lease the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2007 *RMB*
10.	A parcel of land located at Xinhu Industrial Park Ma'an County Huicheng Huizhou Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 60,000 sq.m. The property is leased to Stella International Limited (Vanuatu) from a connected person for a term of 3 years commencing from date of establishment of the Group's new factory in Huizhou, according to the PRC Laws, of the Lessee at a monthly rent of RMB450,000 exclusive of water and electricity charges, gas fees, maintenance and property fees and other fees in relation to the utilization of this property.	The property is currently occupied by the Group for production and storage purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Huizhou Stella Footwear Co. Ltd. and Stella International Limited (Vanuatu) (a wholly owned subsidiary of the Company) dated May 21, 2007, the land with an area of approximately 60,000 sq.m. is leased to Stella International Limited (Vanuatu) for a term of 3 years commencing from the date of establishment of the Group's new factory in Huizhou, according to the PRC Laws, of the Lessee at a monthly rent of RMB450,000 exclusive of management fee.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   i. The Tenancy Agreement is valid, binding and enforceable under the PRC laws.
   ii. Pursuant to a Real Estate Ownership Certificate -13021900068, the lessor is the legal owner of the property and has the legal rights to lease the property.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2007 *RMB*
11.	Level 20 of Fushen Edifice located at No. 8 Beihai Road Huangpu District Shanghai The PRC	The property comprises level 20 of a 20-storey building completed in about 1997. The property has a lease area of approximately 940.18 sq.m. The property is leased to Stella Luna Fashion Inc. from a connected person for a term of 3 years commencing from January 1, 2007 and expiring on December 31, 2009 at a monthly rent of RMB56,410 exclusive of water and electricity charges, gas fees, maintenance and property fees and other fees in relation to the utilization of this property.	The property is currently occupied by the Group for office purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Sanford International Co. Ltd. and Stella Luna Fashion Inc. dated May 21, 2007, the property with a lease area of approximately 940.18 sq.m. is leased to Stella Luna Fashion Inc. for a term of 3 years commencing from January 1, 2007 and expiring on December 31, 2009 at a monthly rent of RMB56,410 exclusive of water and electricity charges, gas fees, maintenance and property fees and other fees in relation to the utilization of this property.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   i. The Tenancy Agreement is valid, binding and enforceable under the PRC laws.
   ii. Pursuant to a Real Estate Ownership Certificate -Hu Fang Di Huang Zi (2007) No. 001245, the lessor of the property is the legal owner of the property and has the legal rights to lease the property.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 5, 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on June 15, 2007. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a

Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the

Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any 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.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 13th March 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, 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 the 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 of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five (75) per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety (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 in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A FURTHER INFORMATION ABOUT OUR COMPANY

1 Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on March 5, 2007.

We have been registered in Hong Kong under Part XI of the Companies Ordinance as an oversea company and our principal place of business in Hong Kong is at Room 1301-05, 13th Floor, Union Park Centre, No.771-775 Nathan Road, Kowloon, Hong Kong. In compliance with the requirements of the Companies Ordinance, Vincent T.K. Cheung, Yap & Co. of 15th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong, has been appointed as our agent for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the Companies Law and our Company's constitution which comprises the memorandum and the Articles. A summary of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix V to this prospectus.

2 Changes in share capital of our Company

(a) As of the date of incorporation of our Company, our authorized share capital was HK$380,000 divided into 3,800,000 Shares of HK$0.10 each. On March 5, 2007, one subscriber's Share was transferred at par to Bonaventure Company Limited. On June 13, 2007, one Share was transferred from Bonaventure Company Limited to Cordwalner Bonaventure Inc.

(b) By resolutions in writing of our sole Shareholder passed on June 15, 2007, the authorized share capital of our Company was increased from HK$380,000 to HK$500,000,000 by the creation of 4,996,200,000 new Shares ranking pari passu in all respects with the then existing issued Shares.

(c) Immediately upon completion of the Global Offering but assuming the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK$500,000,000 divided into 5,000,000,000 Shares, of which 780,000,000 Shares will be issued fully paid or credited as fully paid, and 4,220,000,000 Shares will remain unissued.

There is at present no intention to issue any of the authorized but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in the paragraphs headed "Resolutions of the Company's sole shareholder passed on June 15, 2007" and "Reorganization" below, there has been no alteration in our Company's share capital since its incorporation.

3 Changes in share capital or registered capital of our subsidiaries

Our subsidiaries are listed in the accountants' report set out in Appendix I to this prospectus as well as the section headed "Our Subsidiaries" in this Appendix. The following alterations in the share or registered capital of our subsidiaries had taken place within the two years immediately preceding the date of this prospectus:

Stella Footwear Inc.

(a) On March 21, 2001, Stella Footwear Inc. was incorporated in the BVI with an authorized share capital of US$50,000 divided into 50,000 shares of US$1 each.

(b) On October 26, 2006, Stella Footwear Inc. issued and allotted 3,946 shares with a par value of US$1 each to the following:-

(i) 149 shares to Mr. Jimmy Chen;

(ii) 150 shares to each of Mr. Jack Chiang, Mr. Eric Chao and Mr. Lawrence Chen;

(iii) 130 shares to each of Mr. Shieh Tung-Pi, Billy, Mr. Chang Ching-Hung, Mr. Chen Tung-Po, Mr. Chi Lo-Jen, Stephen, Mr. Kang Tai-Ping, Mr. Yang Chen-Ning, Mr. Chen Tung-Jui, Mr. Huang Wei Ming, Buddy, Mr. Chang Chen-Ou, Mr. Tsang Yao-Chung, Mr. Fu Pong-Yang, George, Mr. Liu Jong-Hsiung and Mr. Chu Chao-Min;

(iv) 120 shares to each of Mr. Yang Chih-Cheng, Mr. Lee Chia-Pin and Mr. Huang Jung-Hui;

(v) 100 shares to each of Mr. Lee Ying-Yi, Mr. Chen Fu-Han, Mr. Shih Tien-Ting, Ms. Chen Shu-Yen, Mr. Huang Ming-Kun, Mr. Su Chin-Chung, Mr. Lin Te-Cheng, Mr. Lu Kuan-Yi, Mr. Cheng Yun-Fu and Mr. Huang Lin-I; and

(vi) 99 shares to each of Mr. Cheng Chun-Chuan, Mr. Chien Shao-Lin and Mr. Kung Han-Tsung.

Selena Footwear Inc.

On March 21, 2001, Selena Footwear Inc. was incorporated in the BVI with an authorized share capital of US$50,000 divided into 50,000 shares of US$1 each, with one share of US$1 issued and allotted to SIL.

Dongguan Stella Footwear

(a) On June 12, 2003, Dongguan Stella Footwear was established in the PRC with an initial registered capital of HK$150,000,000 and an initial total investment amount of HK$180,000,000.

(b) In May 2006, the registered capital and the total investment amount were increased to HK$178,710,000 and HK$208,710,000, respectively.

Longchuan Simona Footwear

(a) On August 15, 2000, Longchuan Simona Footwear was established in the PRC with an initial registered capital and an initial total investment amount of HK$15,000,000.

(b) The registered capital and the total investment amount were increased to HK$132,000,000 in April 2006, and were further increased to HK$155,300,000 in September 2006.

SIL

On September 19, 1996, SIL was incorporated in Vanuatu. On September 20, 1996, SIL allotted and issued one share of US$1 to Bonaventure Company Limited.

N.O.I. Holding Company Limited

(a) On May 30, 2002, N.O.I. Holding Company Limited (formerly known as Shenandoah International Limited) was incorporated in the BVI with an authorized share capital of US$50,000 divided into 50,000 shares of US$1 each. On the same day, N.O.I. Holding Company Limited allotted and issued one share at par value of US$1 to SIL.

(b) On October 26, 2006, N.O.I. Holding Company Limited issued and allotted three shares at par value of US$1 each to the following:-

(i) One share to Mr. Huang Wei Ming, Buddy;

(ii) One share to Mr. Chi Lo-Jen, Stephen; and

(iii) One share to Mr. Jimmy Chen.

Stella Luna Fashion

On January 23, 2006, Stella Luna Fashion was established in the PRC with a registered capital of US$3,000,000 and a total investment of US$6,000,000.

Stella International Marketing Company Limited

(a) On August 23, 2006, Stella International Marketing Company Limited was incorporated in Malaysia with an authorized share capital of US$10,000 divided into 10,000 shares of US$1 each.

(b) On August 23, 2006, one subscriber share was issued and allotted to Capico Asset Management Sdn. Bhd.

(c) On August 25, 2006, Stella International Marketing Company Limited issued and allotted 9,999 shares at par value to Bonaventure Company Limited.

Stella Luna Sol Limited

(a) On December 30, 2006, Stella Luna Sol Limited (formerly known as Stella Creative Co. Limited) was incorporated in Hong Kong with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1 each.

(b) On January 31, 2007, one subscriber share was issued and allotted to Junion Company Limited.

Stellaluna (Thailand) Co., Ltd.

(a) On February 23, 2007, Stellaluna (Thailand) Co., Ltd. was incorporated in Thailand with a registered capital of 20,000,000 Baht.

(b) On February 23, 2007, 68,698 shares with a par value of 100 Baht each were issued and allotted to N.O.I. Holding Company Limited, representing 70.1% of the issued share capital of Stellaluna (Thailand) Co., Ltd. The remaining 29.9% of the issued share capital of this company is being held by Mr. Andrew James Berry and six other individuals as nominees for him.

4 Resolutions of the Company's sole shareholder passed on June 15, 2007

Written resolutions were passed by our sole Shareholder on June 15, 2007 pursuant to which, among other matters:

(a) our Company approved and adopted the memorandum of association and the Articles;

(b) the authorized share capital of our Company was increased from HK$380,000 to HK$500,000,000 by the creation of 4,996,200,000 new Shares ranking pari passu in all respects with the then existing issued Shares;

(c) conditional on (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue, the Offer Shares as mentioned in this prospectus (including any Shares that may be issued pursuant to the exercise of the Over-allotment Option, subject only to allotment) and any Shares which may be issued pursuant to the exercise of options which may be granted, or to satisfy the grant of share awards, under the Long Term Incentive Scheme; (ii) the execution and delivery of the International Purchase Agreement on or around the Price Determination Date; and the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Purchase Agreement having become unconditional and not have been terminated in accordance with the terms of the respective Underwriting Agreements,

(i) the Global Offering of 195,000,000 new Shares and conditional on the share premium account of the Company being credited as a result of the issue of shares pursuant to the Global Offering, the allotment and issue of 584,000,000 Shares to Cordwainer Bonaventure Inc., by capitalizing an amount of HK$58,400,000 standing to the credit of the share premium account of the Company (the "Capitalization Issue") were approved, and the Directors were authorized to allot and issue such Shares pursuant to the Global Offering and the Capitalization Issue;

(ii) the Listing was approved and the Directors were authorised to implement the Listing;

(iii) conditional further on the Listing Committee granting approval for the listing of, and permission to allot, issue and deal in the Shares which may fall to be issued pursuant to the grant of any share awards or the exercise of any options granted under the Long Term Incentive Scheme, the Long Term Incentive Scheme was approved, and the Directors, or any duly authorized committee of them, were authorized to grant Shares or options thereunder.

(d) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights issue, the exercise of options granted under the Long Term Incentive Scheme, any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or any adjustment of rights to subscribe for Shares under options or warrants or a specific authority granted by the shareholders of the Company or exercise of the subscription or conversion rights attaching to any warrants issued by the Company, Shares with an aggregate nominal amount not exceeding the sum of (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option); and (ii) the aggregate nominal amount of the share capital of our Company which may be purchased or repurchased by our Company pursuant to the authority granted to the Directors as referred to in paragraph (e) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by any applicable law or the Articles to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first;

(e) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of our Company to purchase or repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws, Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by any applicable law or the Articles to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first; and

(f) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (e) above.

5 Reorganization

The companies in the Group underwent the Reorganization in preparation for the listing of the Shares on the Stock Exchange which involved the following:-

(a) On March 5, 2007, our Company was incorporated in the Cayman Islands as an exempted company with an authorized share capital of HK$380,000 divided into 3,800,000 Shares, with one subscriber Share transferred at par to Bonaventure Company Limited. On June 13, 2007, one Share was transferred from Bonaventure Company Limited to Cordwalner Bonaventure Inc. for cash at HK$0.10.

(b) On October 26, 2006, SIL transferred its entire shareholding in N.O.I. Holding Company Limited, being one share with a par value of US$1, to Mr. Lawrence Chen, at a consideration of US$1. On the same day, N.O.I. Holding Company Limited issued and allotted three shares at par value of US$1 each to the following:-

(i) One share to Mr. Huang Wei Ming, Buddy;

(ii) One share to Mr. Chi Lo-Jen, Stephen; and

(iii) One share to Mr. Jimmy Chen.

(c) On October 26, 2006, SIL transferred its entire shareholding in Stella Footwear Inc., being one share with a par value of US$1, to Mr. Jimmy Chen, for a consideration of US$1. On the same day, Stella Footwear Inc. issued and allotted 3,946 shares with a par value of US$1 each to the following individuals in proportion to their respective beneficial interest in Stella Footwear Inc. as follows:-

(i) 149 shares to Mr. Jimmy Chen;

(ii) 150 shares to each of Mr. Jack Chiang, Mr. Eric Chao and Mr. Lawrence Chen;

(iii) 130 shares to each of Mr. Shieh Tung-Pi, Billy, Mr. Chang Ching-Hung, Mr. Chen Tung-Po, Mr. Chi Lo-Jen, Stephen, Mr. Kang Tai-Ping, Mr. Yang Chen-Ning, Mr. Chen Tung-Jui, Mr. Huang Wei Ming, Buddy, Mr. Chang Chen-Ou, Mr. Tsang Yao-Chung, Mr. Fu Pong-Yang, George, Mr. Liu Jong-Hsiung and Mr. Chu Chao-Min;

(iv) 120 shares to each of Mr. Yang Chih-Cheng, Mr. Lee Chia-Pin and Mr. Huang Jung-Hui;

(v) 100 shares to each of Mr. Lee Ying-Yi, Mr. Chen Fu-Han, Mr. Shih Tien-Ting, Ms. Chen Shu-Yen, Mr. Huang Ming-Kun, Mr. Su Chin-Chung, Mr. Lin Te-Cheng, Mr. Lu Kuan-Yi, Mr. Cheng Yun-Fu and Mr. Huang Lin-I; and

(vi) 99 shares to each of Mr. Cheng Chun-Chuan, Mr. Chien Shao-Lin and Mr. Kung Han-Tsung.

(d) In March 2007, Ms. Pan Hsing-I, being one of the Core Owners, transferred 0.2% of her beneficial interests in SIL to Mr. Lee Kwok Ming by way of gift, as an incentive to attract and retain Mr. Lee Kwok-Ming to act as our chief financial officer.

(e) On June 13, 2007, various transfers of shares of US$1 each in the share capital of Stella Footwear Inc. were made among the individuals as referred to in paragraph (c) above and the other 64 Core Owners to the effect that, immediately upon completion of these transfers, the pro rata interest of each of the Core Owners in the issued share capital of Stella Footwear Inc. was the same as his/her then percentage of beneficial interests in SIL.

(f) On June 13, 2007, SIL acquired from the Core Owners the entire issued shares in Stella Footwear Inc. being 3,947 shares with a par value of US$1 each, at an aggregate consideration of US$3,947.

(g) On June 13, 2007, Bonaventure Company Limited transferred to Cordwalner Bonaventure Inc. the entire issued share capital in each of (i) SIL, being one share with a par value of US$1; (ii) Stella International Marketing Company Limited, being 10,000 shares with a par value of US$1 each; and (iii) Stella Luna Sol Limited, being one share with a par value of HK$1, in consideration of and in exchange for Cordwalner Bonaventure Inc. allotting and issuing and credited as fully paid at par, an aggregate of 1,000,000 new ordinary shares in the share capital of Cordwalner Bonaventure Inc. to the Core Owners in proportion to their respective beneficial interests in SIL.

The Core Owners and their respective holdings in SIL immediately prior to the above acquisitions and their respective holdings in Cordwalner Bonaventure Inc. immediately after the above acquisitions were the same and were as follows:

Name of the Core Owners	Approximate percentage of beneficial interest in SIL before the above acquisitions / in Cordwalner Bonaventure Inc. immediately after the above acquisitions
Directors, their respective spouses and children under the age of 18	
Mr. Jimmy Chen	7.60%
Ms. Pan Hsing-I *(spouse of Mr. Jimmy Chen)*	6.33%
Mr. Jack Chiang	7.60%
Mr. Eric Chao	7.60%
Mrs. Tracy Chao *(spouse of Mr. Eric Chao)*	3.77%
Mr. Shieh Tung-Pi, Billy	3.75%
Mr. Chi Lo-Jen, Stephen	2.31%
Mr. Shih Takuen, Daniel	0.65%
Other family members (other than spouses and children under the age of 18) of the Directors	28.13%
Other 77 senior management and employees of our Group	31.44%
A former employee of our Group	0.29%
Four passive investors	0.53%
Total	100.00%

The ordinary shares can be redeemed subject to the redemption policy from time to time set by the board of directors of Cordwalner Bonaventure Inc. Please refer to the section headed "History and Corporate Structure" in this prospectus for details.

(h) On June 13, 2007, Cordwalner Bonaventure Inc. issued and alloted an aggregate of 15,230 preferred shares in the share capital of Cordwalner Bonaventure Inc. at an aggregate cash consideration of US$4,050,000 which was determined by the parties by reference to the pro forma net assets value of the Group as at December 31, 2006 on the basis that the Reorganization had been completed on that date and after payment of any dividends in respect of profits for any financial period ended on or before December 31, 2006:

Name of subscribers	No. of Preferred Shares	Approximate percentage interests in the entire issued capital of Cordwalner Bonaventure Inc. subsequent to the subscription
Huge Profit Enterprise Limited	3,384	0.33%
Eagle Mate Capital Limited	11,846	1.17%

Please refer to the section headed "History and Corporate Structure" in this prospectus for the background information of these investors and the rights and privileges attached to these preferred shares.

(i) On June 13, 2007, Cordwalner Bonaventure Inc. transferred its entire shareholding in (i) SIL, being one share with a par value of US$1; (ii) Stella International Marketing Company Limited, being 10,000 shares with a par value of US$1 each and (iii) Stella Luna Sol Limited, being one share with a par value of HK$1, to the Company in consideration for an issue and allotment of 999,999 Shares to Cordwalner Bonaventure Inc. On the same day, the Company entered into an agreement with Mr. Lawrence Chen, Mr. Jimmy Chen, Mr. Chi Lo-Jen, Stephen and Mr. Huang Wei Ming, Buddy for the acquisition of one share with a par value of US$1 each in N.O.I. Holding Company Limited from each of them at a cash consideration of US$1 for each share. As a result of the above acquisitions, our Company became the holding company of our Group.

6 Repurchase of the Company's Own Securities

This section includes information relating to the repurchase by us of our own securities, including information required by the Stock Exchange to be included in this prospectus concerning the repurchase.

(a) *Shareholders' approval*

All our proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to resolutions in writing passed by our sole Shareholder on June 15, 2007, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorizing them to exercise all powers of our Company to purchase or repurchase our Shares on the Stock Exchange or on any other stock exchange on which our Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalization Issue (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option), such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by any applicable law or the Articles to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) *Number of Shares which may be repurchased*

The exercise in full of the Repurchase Mandate, on the basis of 780,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalization Issue, could accordingly result in up to 78,000,000 Shares being repurchased by our Company during the period prior to (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or (3) the revocation or variation of the Repurchase Mandate by ordinary resolution of the Shareholders in a general meeting, whichever occurs first.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from our Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and our assets and/or our earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) *Source of funds*

Repurchases by our Company must be funded out of funds legally available for such purpose in accordance with the memorandum and the Articles, the applicable laws and regulations of the Cayman Islands and the Listing Rules. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by our Company may be made out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and in the case of any premium payable on a repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company, or if authorised by the Articles and subject to the Companies Law, out of capital.

(e) *Impact of repurchase*

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) *Directors' intention to sell shares*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention, in the event that the Repurchase Mandate is exercised, to sell any Shares to us.

(g) *Directors' undertakings*

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

(h) *Takeovers Code*

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

(i) *Share repurchase made by our Company*

No repurchase of Shares has been made by our Company since its incorporation.

(j) *Connected parties*

No connected person of our Company has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B OUR SUBSIDIARIES

As at the date of Latest Practicable Date, the Company had the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Interest holdings Direct %	Interest holdings Indirect %	Principal activities
Dongguan Stella Footwear	The PRC June 12, 2003	HK$178,710,000[1]	—	100	Manufacturing, sale and development of footwear
Longchuan Simona Footwear . . .	The PRC August 15, 2000	HK$155,300,000[1]	—	100	Manufacturing and sale of footwear
N.O.I. Holding Company Limited	BVI May 30, 2002	US$4[2]	100	—	Investment holding
Selena Footwear Inc.	BVI March 21, 2001	US$1[2]	—	100	Marketing, research and development activities
Stella Footwear Inc.	BVI March 21, 2001	US$3,947[2]	—	100	Investment holding, manufacturing and sale of footwear
SIL	Vanuatu September 19, 1996	US$1	100	—	Investment holding, manufacturing and sale of footwear
Stella Luna Fashion	The PRC January 23, 2006	US$3,000,000[1]	—	100	Footwear retailing
Stella Luna Sol Limited	Hong Kong December 30, 2006	HK$1[2]	100	—	Holding of intellectual property rights
Stella International Marketing Company Limited	Malaysia August 23, 2006	US$10,000[2]	100	—	Marketing activities
Stellaluna (Thailand) Co., Ltd. . .	Thailand February 23, 2007	20,000,000 Baht[1]	—	70.1	Footwear retailing

Note: 1. These figures are the registered capital amounts.

2. These figures are the issued capital amounts.

C FURTHER INFORMATION ABOUT OUR BUSINESS

1 Summary of our material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or our subsidiaries within the two years preceding the date of this prospectus which are or may be material:

(a) a deed of assignment dated April 27, 2007 entered into between Stella Luna Sol Limited and Shenandoah pursuant to which certain trademarks registered in the name of Shenandoah were assigned to Stella Luna Sol Limited at a consideration of US$1;

(b) a deed of non-compete undertaking dated June 17, 2007 entered into between Cordwalner Bonaventure Inc., Mr. Jimmy Chen, Mr. Lawrence Chen, Mr. Jack Chiang, Mr. Eric Chao and the Company in relation to the non-compete undertakings given by Cordwalner Bonaventure Inc., Mr. Jimmy Chen, Mr. Lawrence Chen, Mr. Jack Chiang and Mr. Eric Chao to the Company;

(c) a share purchase agreement dated June 13, 2007 entered into between (i) the Core Owners, namely, Mr. Jimmy Chen, Mr. Chen Hsin-Hao, Ms. Pan Hsing-I, Mr. Lawrence Chen, Ms. Yang Meng-Chiu, Mr. Shih Takuen, Daniel, Ms. Chen Chin-Mei, Mr. Yang Chen-Ning, Mr. Jack Chiang, Mr. Chiang Yi-Min, Harvey, Mr. Eric Chao, Mrs. Tracy Chao, Mr. Shieh Tung-Pi, Billy, Mr. Chang Ching-Hung, Mr. Chen Tung-Po, Mr. Chi Lo-Jen, Stephen, Mr. Kang Tai-Ping, Mr. Chen Tung-Jui, Mr. Huang Wei Ming, Buddy, Mr. Chang Chen-Ou, Mr. Tsang Yao-Chung, Mr. Fu Pong Yang, George, Mr. Liu Jong-Hsiung, Mr. Chu Chao-Min, Mr. Yang Chih-Cheng, Mr. Lee Chia-Pin, Mr. Huang Jung-Hui, Mr. Lee Ying-Yi, Mr. Chen Fu-Han, Mr. Shih Tien-Ting, Ms. Chen Shu-Yen, Mr. Huang Ming-Kun, Mr. Su Chin-Chung, Mr. Lin Te-Cheng, Mr. Lu Kuan-Yi, Mr. Yu Sheng-Sang, Mr. Lin Chao-Fa, Mr. Lu Ting-Chih, Mr. David Berger Graves JR, Mr. David Berger Graves III, Mr. Cheng Yun-Fu, Mr. Huang Lin-I, Mr. Wang Chen-Chuan, Mr. Chou Mao-Hsiung, Mr. Hung Yu-Chi, Mr. Hung Shui-Te, Mr. Lee Chun-Loong, Mr. Huang Cheng-Yang, Mr. Huang Shih-Hao, Mr. Chen Yu-Chiu, Mr. Cheng Chun-Chuan, Ms. Chen Mei-Jui, Mr. Wang Ying-Jen, Mr. Chien Shao-Lin, Mr. Kung Han-Tsung, Ms. Liao Wen-Li, Ms. Hu Pi, Mr. Wang Yi-Lee, Ms. Chung Tai Ying, Mr. Lin Ching-Hsin, Mr. Shih Ming-Hua, Mr. Yang Chih-Kao, Mr. Chang Hao-Chueh, Mr. Chen Chung-Jen, Mr. Wang Yu-Chieh, Ms. Chang Shu-Huang, Mr. Tseng Te-Jen, Mr. Lian Jong-Da, Mr. Hsiao Chien-Chang, Mr. Hsu Chih-Hui, Mr. Chen Yin-Fu, Mr. Lee Hung-Tai, Mr. Tseng Chung-Chieh, Mr. Joao Batista Matos, Mr. Cheng Ming, Mr. Li Hsu-Hsin, Ms. Chung Mei-Chih, Mr. Liu Hsun-Hsiung, Mr. Wang Ta-Chen, Mr. Liu Ming-Tsung, Ms. Liao Wen-Chi, Mr. Huang Hsien-Tsung, Mr. Chuang Min-Han, Max, Mr. Chen Chia-Shih, Mr. Chang Jen-Hao, Mr. Wu Huang-Hsien, Ms. Chen Ching-Yi, Mr. Lin Yang-Chu, Ms. Liu Yi-Chun, Mr. Tzeng Yuan-Hua, Mr. Hsiung Chih-Min, Mr. Tsai Feng-Chun, Mr. Liu An-Yu, Mr. Juan Sheng-Han, Mr. Huang Kun-Yu, Ms. Hu Pi-Chu and Mr. Lee Kwok Ming as vendors, and (ii) SIL as purchaser, pursuant to which SIL has acquired the entire issued share capital of Stella Footwear Inc. at an aggregate cash consideration of US$3,947;

(d) a share purchase agreement dated June 13, 2007 entered into between our Company as purchaser and Cordwalner Bonaventure Inc. as vendor pursuant to which our Company has acquired the entire issued share capital of (i) SIL, (ii) Stella International Marketing Company Limited and (iii) Stella Luna Sol Limited in consideration of our Company alloting and issuing, credited as fully paid, 999,999 Shares to Cordwalner Bonaventure Inc.;

(e) a share purchase agreement dated June 13, 2007 entered into between our Company as purchaser and Mr. Jimmy Chen, Mr. Lawrence Chen, Mr. Chi Lo-Jen, Stephen and Mr. Huang Wei Ming, Buddy as vendors pursuant to which our Company has agreed to acquire the entire issued share capital of N.O.I. Holding Company Limited at an aggregate cash consideration of US$4;

(f) a deed of indemnity dated June 21, 2007 executed by Cordwalner Bonaventure Inc. in favour of our Company for ourselves and as trustee for our subsidiaries stated therein containing the indemnities more particularly referred to in the paragraph headed "Estate duty, tax and other indemnities" under the section headed "Other information" in this Appendix;

(g) Cornerstone Placing Agreement dated June 20, 2007 entered into between the Company, the Global Coordinator and Equity Advantage Limited in relation to the subscription of Shares that may be subscribed with approximately US$30 million; and

(h) the Hong Kong Underwriting Agreement.

2 Our intellectual property rights

Trademarks

As at the Latest Practicable Date, our Group had the following registered trademarks:

Trademark	Place of Registration	Class	Valid until	Registration Number
STELLA LUNA	Singapore	18	14/02/2016	T06/03095Z
STELLA LUNA	Singapore	35	27/12/2015	T05/26774C
STELLA LUNA	Singapore	25	10/03/2015	T05/03325D
STELLA LUNA	Singapore	35	14/02/2016	T06/03099B
STELLA LUNA	Singapore	18	18/12/2015	T05/25515Z
星仙履	Singapore	18	14/02/2016	T06/03092E
星仙履	Singapore	25	14/02/2016	T06/03093C
星仙履	Singapore	35	14/02/2016	T06/03094A
STELLA LUNA	HK	18	16/12/2015	300550818
STELLA LUNA	HK	35	27/12/2015	300556182
STELLA LUNA	HK	25	10/03/2015	300384507
STELLA LUNA	HK	18	13/02/2016	300580851
STELLA LUNA	HK	25	13/02/2016	300580842
STELLA LUNA	HK	35	13/02/2016	300580833
星仙履	HK	18	13/02/2016	300580761
星仙履	HK	25	13/02/2016	300580752
星仙履	HK	35	13/02/2016	300580743
STELLA LUNA	Japan	18	06/07/2016	4968271
STELLA LUNA	Japan	25	18/05/2016	4953476
STELLA LUNA	Japan	35	13/07/2016	4970575
STELLA LUNA	Japan	35	11/01/2017	5018329
WHAT FOR	Japan	18	01/03/2017	5029728
WHAT FOR	Japan	25	01/03/2017	5029729
星仙履	Japan	18	15/02/2017	5026343
星仙履	Japan	25	15/02/2017	5026344
STELLA LUNA	EU	25	10/10/2015	004647921

Trademark	Place of Registration	Class	Valid until	Registration Number
STELLA LUNA	EU	18	20/12/2015	004796959
STELLA LUNA	EU	35	26/12/2015	004807715
STELLA LUNA	Taiwan	18	31/07/2016	01220974
STELLA LUNA	Taiwan	25	15/12/2015	01186766
STELLA LUNA	Taiwan	35	31/08/2016	01226981
STELLA/LUNA	Taiwan	18	31/08/2016	01226109
STELLA/LUNA	Taiwan	25	31/08/2016	01226386
STELLA/LUNA	Taiwan	35	15/09/2016	01229435
星仙履	Taiwan	18	30/11/2016	01239215
星仙履	Taiwan	25	31/08/2016	01226389
星仙履	Taiwan	35	15/09/2016	01229436
WHAT FOR	China	25	13/01/2014	3236193

As at the Latest Practicable Date, our Group has applied for the registration of the following trademarks:

Trademark	Place of Application	Date of Application	Class	Application Number
	Hong Kong	29/03/2007	18,25,35	300841923
Stella Luna	PRC	06/01/2006	35	5104768
Stella Luna	PRC	06/01/2006	18	5104769

Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registrant	Date of original registration
stella.com.hk	Stella Luna Sol Limited	June 3, 1998

D FURTHER INFORMATION ABOUT OUR DIRECTORS

1 Particulars of Directors' service agreements

Each of our Directors has entered into a service agreement with our Company pursuant to which they agreed to act as a Director for an initial term of three year commencing from June 15, 2007 to June 14, 2010. Each of these service agreements may be terminated by either party by giving to the other party at least six month's prior notice in writing.

Save as disclosed above, none of our Directors has or is proposed to have entered into any service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(a) *Remuneration of Directors*

Remuneration and benefits in kind of approximately US$2,799,000, US$5,280,000 and US$3,329,000 in aggregate were paid and granted by the Group to the Directors in respect of the financial years ended December 31, 2004, 2005 and 2006, respectively.

Under the arrangements currently in force, the Directors will be entitled to receive remuneration and benefits in kind which, for the period from March 5, 2007 (date of incorporation of our Company) to December 31, 2007, is expected to be approximately HK$4,500,000 (excluding discretionary bonuses).

(b) *Remuneration Policies*

Our Company's policy concerning the remuneration of the executive Directors is that the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility and the time devoted to the business of the Group.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2004, 2005 and 2006 by our Company to the Directors.

2 Disclosure of interests

(a) *Interests and/or short positions of the Directors and chief executives in the share capital of our Company and its associated corporations following the Global Offering and the Capitalization Issue*

Immediately following completion of the Global Offering and the Capitalization Issue (but taking no account of any Shares to be issued pursuant to the exercise of the Over-allotment Option), the interests and/or short positions of our Directors and chief executives of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

Long position in the shares of the associated corporations of our Company

Director	Name of associated corporation	Number of shares	Approximate percentage of shareholding	Capacity / Nature of interest
Mr. Jimmy Chen	Cordwalner Bonaventure Inc.	139,307	13.73%[1]	Beneficial owner
Mr. Eric Chao	Cordwalner Bonaventure Inc.	113,694	11.20%[2]	Beneficial owner
Mr. Jack Chiang	Cordwalner Bonaventure Inc.	76,000	7.49%	Beneficial owner
Mr. Shieh Tung-Pi, Billy	Cordwalner Bonaventure Inc.	37,506	3.69%	Beneficial owner
Mr. Chi Lo-Jen, Stephen	Cordwalner Bonaventure Inc.	23,125	2.28%	Beneficial owner
Mr. Shih Takuen, Daniel	Cordwalner Bonaventure Inc.	6,536	0.64%	Beneficial owner

Notes:

1. This includes about 6.24% of the shareholding in Cordwalner Bonaventure Inc. of Ms. Pan Hsing-I, the spouse of Mr. Jimmy Chen, which is deemed to be interested by Mr. Jimmy Chen for the purpose of Part XV of the SFO.
2. This includes about 3.71% of the shareholding in Cordwalner Bonaventure Inc. of Mrs. Tracy Chao, the spouse of Mr. Eric Chao, which is deemed to be interested by Mr. Eric Chao for the purpose of Part XV of the SFO.

(b) *Interests and/or short positions of the Substantial Shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO*

Immediately following completion of the Global Offering and the Capitalization Issue (but taking no account of any Shares to be issued pursuant to exercise of the Over-allotment Option), so far as the Directors are aware, the following persons (not being a Director or a chief executive of our Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in the Shares and underlying Shares

Name of interested party	Capacity / Nature of interest	Number of shares	Approximate percentage of shareholding
Cordwalner Bonaventure Inc.	Beneficial owner	585,000,000	75.0%

3 Agency fees or commission

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

4 Related party transactions

During the two years immediately preceding the date of this prospectus, we have engaged in dealings with certain Directors and their associates as described in note 27 to the "Notes to the Financial Information" section of the accountant's report set out in Appendix I to this prospectus.

5 Disclaimers

Save as disclosed in this prospectus:

(a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the Global Offering, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(b) none of our Directors nor any chief executive of our Company has any interest or a short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, in each case once the Shares are listed;

(c) none of the Directors nor any of the parties whose names are listed in the paragraph headed "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of the Directors nor any of the parties whose names are listed in the paragraph headed "Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Company's business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph "Consents of experts" in this Appendix:

    (i) is interested legally or beneficially in any securities of any member of the Group; or

    (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) save as referred to above, there are no existing or proposed service contracts (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensations) between our Company or our Company's subsidiaries and any other Directors; and

(g) none of our Directors or their associates or any shareholders of our Company who to the knowledge of the Directors owns more than 5% of our issued share capital has any interest in our five largest suppliers or our top five business customers.

E LONG TERM INCENTIVE SCHEME

The following is a summary of principal terms of the Long Term Incentive Scheme, (or the "Scheme"), conditionally approved by a written resolution of the Shareholders passed on June 15, 2007 and adopted by a resolution of the Board on June 15, 2007 and as further amended by a resolution of the duly authorised committee of the Board on June 18, 2007. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where applicable.

The following is a summary of the key features of the Scheme:

Definitions:

"Award"	an Option or a Restricted Share Award or a Restricted Unit Award, or a combination of these;
"Commencement Date"	in respect of any particular Option, the date on which the Option is granted in accordance with the terms of the Scheme;
"Effective Date"	the date on which the Scheme becomes effective upon the fulfilment of the condition precedents in accordance with the terms of the Scheme;
"Grantee"	any Participant who accepts an Offer in accordance with the terms of the Scheme, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee;
"Offer"	the offer of the grant of an Award made in accordance with the terms of the Scheme;
"Option"	a right granted to subscribe for Shares pursuant to the Scheme;
"Option Period"	a period to be notified by the Board to each Participant and in any event the period shall not be more than five (5) years from the Commencement Date during which an Option can be exercised;
"Restricted Share Award"	Shares held in the name of or for the benefit of a Grantee in accordance with the Restricted Share Award Agreement;

"Restricted Share Award Agreement"	the agreement to be entered into by the Grantee of a Restricted Share Award and the Company;
"Restricted Unit Award"	a conditional right to acquire Shares granted under the Scheme;
"Subscription Price"	the price per Share at which a Grantee may subscribe for shares on the exercise of an Option in accordance with the terms of the Scheme;
"Trustee"	such persons as the Company may from time to time appoint as the trustee of any employee trust; and
"Vesting"	in relation to an Option, means an Option becoming exercisable; in relation to a Restricted Unit Award, means a Grantee becoming entitled to have the Shares transferred to him subject to these rules and in relation to a Restricted Share Award, means the restrictions in the Restricted Share Award Agreement ceasing to have effect as described in the Scheme and vests / vest shall be interpreted accordingly.

(a) **Purpose of the Scheme**

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees, directors, shareholders of any member of the Group or any holder of any securities issued by any member of the Group, and to promote the success of the Group.

(b) **Who may join and basis of eligibility**

The Board may, at its discretion and on such terms as it may think fit, grant an employee, a director and any shareholder of any member of the Group or any holder of any securities issued by any member of the Group an Award as it may determine in accordance with the terms of the Scheme.

The basis of eligibility of any participant to the grant of any Award shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) **Duration and Administration**

The Scheme will be valid and effective for a period of ten (10) years commencing on the Effective Date, after which period no further Awards will be offered or granted. The Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided herein) shall be final and binding on all parties. The Board shall, subject to the rules of the Scheme, the Listing Rules, have the right and at its discretion and based on such factors as it shall consider relevant to:

- (i) interpret and construe the provisions of the Scheme and Awards made under it;
- (ii) decide whether the Award is (a) an Option; (b) a Restricted Unit Award; (c) a Restricted Share Award; or (d) a combination of these;
- (iii) determine the eligibility of persons who will be granted Awards under the Scheme;
- (iv) determine the date of the grant of Award;
- (v) determine the number of Shares to be subject to the Award;
- (vi) determine the terms and conditions of the Award including:
  - (a) the Subscription Price (if relevant);
  - (b) the minimum period, if any, for which the Award must be held before it Vests;
  - (c) performance, operating and financial targets and other criteria, if any, to be satisfied before the Award can Vest;

(d) the amount, if any, payable on application or acceptance of the Award and the period within which payments or calls must or may be made or loans for such purposes must be repaid;

(e) the period, if any, during which Shares allotted and issued or transferred upon Vesting of the Award shall be subject to restrictions on dealings, and the terms of such restrictions;

(f) the notification period, if any, to be given to the Company of any intended sale of Shares allotted and issued or transferred upon Vesting of the Award;

(g) Option Period (if relevant); and

(h) the right, if any, to receive an amount equal in value to the dividends which were payable on the number of Vested Shares prior to the time at which they Vested ("dividend equivalents") under paragraph (l)(vii).

(vii) approve the form of Award agreements;

(viii) prescribe, amend and rescind rules and regulations relating to the Scheme;

(ix) subject to the other provisions of the Scheme, make appropriate and equitable adjustments to the terms and conditions of any Award agreement, including extending the Option Period (provided that it shall not be greater than the period (if any) prescribed by the Listing Rules from time to time (which is, at the Effective Date, not more than 10 years from the Commencement Date) and waiving or amending (in whole or in part) any conditions to which Awards are subject; and

(x) to make such other decisions or determinations as it shall deem appropriate in the administration of the Scheme.

(d) **Awards to be offered within 10 Years**

The Board will be entitled at any time within ten (10) years after the Effective Date and subject to such conditions as the Board may think fit make an Offer to any Participant as the Board may in its absolute discretion select.

(e) **Terms and Conditions**

The Board may grant Awards on such terms and subject to such conditions as it thinks fit and may specify those circumstances, if any, in which such terms and conditions shall be waived or treated as waived. The Board may, in its absolute discretion, determine that Awards will be subject to performance targets that must be achieved before Vesting.

(f) **Offer and Acceptance**

An offer of an Award must be accepted within twenty-one (21) days from the date of the Offer. Any Offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within the prescribed time period, it will be deemed to have been irrevocably declined.

(g) **Offers made to Directors, Chief Executive, Substantial Shareholders and Connected Persons and their respective Associates**

Insofar as the Listing Rules require and subject to the terms of the Scheme, where any Offer proposed to be made to a Director or a Chief Executive or a Substantial Shareholder or a connected person of the Company or any of his, her or its associates (as defined by the Listing Rules) must be approved by all the independent non-executive Directors (excluding an independent non-executive Director who is the proposed grantee of Awards in question).

(h) **Employee Trust**

The Company any member of the Group may provide money to the Trustee or any other person to enable them or him to acquire shares either by subscription at par, or by purchase from the market or otherwise to be held for the purposes of the Scheme.

(i) **Subscription Price for Options**

The Subscription Price payable on the exercise of an Option shall be a price determined by the Board at its absolute discretion and notified to a participant and shall be no less than the highest of:

(i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of Offer;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five (5) Business days immediately preceding the date of Offer; or

(iii) the nominal value of the Shares on the date of Offer.

(j) **Transfer**

An Option or a Restricted Unit Award shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option or Restricted Unit Award, unless under the circumstances permitted by the Scheme. The Grantee shall not transfer, assign, pledge or dispose of any Restricted Share Award or any rights in respect of it before Vesting unless under the circumstances permitted by the Scheme.

(k) **Vesting of Awards**

The Board will determine the minimum period, if any, for which a Share Award must be held before it vests and any other conditions in relation to dealing with Shares on vesting. In particular:

(i) an Award will not Vest unless all relevant conditions to which it is subject have been satisfied, waived or, by the terms of grant, treated as having been waived;

(ii) if the Grantee is an Employee and ceases to be an Employee for any reason other than on his or her death or the termination of his or her employment on one or more of the grounds specified in paragraph (m)(v), his or her Awards will Vest to the extent not already Vested and, in the case of an Option, his or her personal representative as the case may be, may exercise the Option at any time within the period of three (3) months following the date of such cessation up to his or her entitlement at the date of cessation (to the extent exercisable not already exercised), which date shall be the last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not;

(iii) if the Grantee is an Employee and ceases to be an Employee by reason of his or her death before his or her Awards Vested and before exercising the Option in full and none of the events which would be a ground for termination of his or her employment under paragraph (m)(v) arises, his or her Awards will Vest to the extent not already Vested and, in the case of an Option, his or her personal representative shall be entitled within a period of twelve (12) months from the date of death to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent not already exercised);

(iv) if a general offer by way of takeover (other than by way of scheme of arrangement pursuant to paragraph (k)(v) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the Vesting of the Award or the expiry date of the relevant Option (as the case may be), the Award shall Vest and, in the case of an Option, the Grantee (or, where appropriate, his or her personal representatives) shall be entitled to exercise the Option in full (to the extent not already exercised even though the Option Period has not come into effect during the occurrence of the general offer) at any time within one (1) month of the notice given by any offeror to acquire the remaining Shares provided that if the Option has not been exercised by such time it shall lapse;

(v) if a general offer by way of scheme of arrangement is made to all the holders of Shares with the Scheme having been approved by the necessary number of holders of Shares at the requisite meetings, the Award shall Vest and, in the case of an Option, the Grantee (or his or her personal representatives) may thereafter (but before such time as shall be notified by the Company) exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in such notice provided that if the Option has not been exercised before such time as shall be notified by the Company it shall lapse;

(vi) in the event a notice is given by the Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Award will immediately Vest and, in the case of an Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her personal representatives) may by notice in writing to the Company accompanied by the remittance for the exercise price in respect of the relevant Option (such notice to be received by the Company not later than four (4) Business Days prior to the proposed general meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and 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, allot and issue such number of Shares to the Grantee which falls to be issued; and

(vii) other than a scheme of arrangement contemplated in paragraph (k)(v) above, in the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon the Award shall Vest and, in the case of an Option, the Grantee (or his or her personal representatives) may by notice in writing to the Company accompanied by the remittance for the exercise price in respect of the relevant Option (such notice to be received by the Company not later than five (5) Business Days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and 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 meeting, allot and issue such number of Shares to the Grantee which falls to be issued, credited as fully paid and registered the Grantee as holder thereof.

(l) **Consequences of Vesting**

(i) *Options*

On Vesting, an Option becomes exercisable to the extent that it Vests. An Option shall be exercised in whole or in part by the Grantee to the extent it has Vested, by giving notice in writing to the Company in a prescribed form. Any partial exercise of an Option shall be in respect of such number of Shares as from time to time constitutes a board lot for the purposes of trading Shares on the Stock Exchange or an integral multiple thereof.

(ii) *Allotment and Issue or Transfer of Shares*

Within ten (10) Business Days after receipt of the notice and, where appropriate, other necessary documentations, and subject to the accompanying remittance having been honoured in full, the

Company shall allot and issue, or the Directors shall procure the transfer of, the relevant Shares to the Grantee credited fully paid and shall instruct the Share Registrar to issue to the Grantee a share certificate in respect of the Shares so allotted and issued or transferred.

(iii) *Restricted Unit Awards*

Within ten (10) business days of Vesting of a Restricted Unit Award, the Directors shall arrange for the transfer of issue to the Grantee of the number of Shares of which the Restricted Unit Award has Vested.

(iv) *Restricted Share Awards*

To the extent that is has Vested, the Restricted Share Award cannot lapse under the Scheme. In addition, the restrictions referred to in the Scheme between the Grantee and the Company cease to have effect.

(v) *Rights*

A Grantee shall not be entitled to vote, to receive dividends (subject to paragraph (c)(vi)(g)) or to have any other rights of a Shareholder in respect of Shares subject to an Option or a Restricted Unit Award until the Shares are issued or transferred to the Grantee. Except to the extent specified in the Restricted Share Award Agreement, a Grantee will have all rights of a Shareholder in respect of a Restricted Share Award until the Award lapses.

(vi) *Ranking of Shares*

The Shares to be allotted and issued upon the Vesting of an Award or the exercise of an Option will be subject to all the provisions of the memorandum and the Articles of the Company for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue as from the date when the name of Grantee is registered on the register of members of the Company.

(vii) *Dividend Equivalent*

An Award may include the right to receive an amount equal in value to the dividends which were payable on the number of Vested Shares prior to the time at which they Vested ("dividend equivalents"). This amount may be paid in cash or Shares (by arranging for the Trustee to transfer such relevant amount of cash or Shares to the participant or by the Company paying such amount from its own funds or issuing such Shares, as determined from time to time by the Board). Dividend equivalents will be paid to a participant as soon as practicable after Vesting.

(m) **Lapse of Options**

An Award shall lapse automatically (to the extent not already Vested or in the case of an Option, to the extent not already exercised) on the earliest of:

(i) in the case of an Option and subject to the terms of the Scheme, the expiry of the Option Period;

(ii) the expiry of the periods referred to in paragraph (k)(ii), (k)(iii) or (k)(vii);

(iii) the expiry of the period referred to in paragraph (k)(iv) provided that if any court of competent jurisdiction makes an order the effect of which is to prevent the offeror from acquiring Shares in the offer, the relevant period within which Awards will Vest, and in the case of an Option, may be exercised, shall not begin to run until the discharge of the order in question or unless the offer lapses or is withdrawn before that date;

(iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (k)(v);

(v) where the Grantee is an Employee, the date on which the Grantee ceases to be an Employee by reason of the termination of his or her employment on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect being able to pay debts or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or any ground on which an employee would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant Subsidiary;

(vi) the date of the commencement of the winding-up of the Company;

(vii) the date on which the Grantee commits a breach of paragraph (j); and

(viii) the date on which the Grantee commits a breach of any terms and conditions attached to the grant of the Award unless otherwise resolved to the contrary by the Board.

(n) **Cancellation of Awards**

Any cancellation of any Awards which has been duly granted in accordance with the Scheme but not Vested or lapsed or, in the case of an Option, exercised in full in accordance with the terms of the Scheme, shall be conditional upon the approval of the Board and the Grantee concerned.

(o) **Maximum Number of Shares Available for Subscription**

(i) *Overriding Limit*

Subject to the Listing Rules, the overall limit on the number of Shares subject to Awards from time to time under the Scheme and any other schemes must not, in aggregate, exceed 30 per cent of the Shares in issue from time to time. No Awards may be granted under the Scheme or any other schemes if this will result in this overriding limit being exceeded.

(ii) *Mandate Limit*

Subject to the Overriding Limit and to paragraphs (o)(iii) and (o)(iv) below, the total number of Shares available for issue or transfer in satisfaction of all Awards which may be granted under the Scheme and any other schemes of the Company must not, in aggregate, exceed 78,000,000 Shares, representing 10 per cent of the Shares in issue as at the Effective Date, subject to an annual cap, renewable by shareholders in general meeting, of no more than 5 per cent of the total issued share capital of the Company as at the beginning of each such financial year that may be issued by the Company to satisfy Restricted Share Awards or Restricted Unit Awards. Awards lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the Mandate Limit.

(iii) *Refreshing of Mandate Limit*

Subject to the Overriding Limit and to paragraph (o)(iv), the Company may refresh the Mandate Limit at any time subject to Shareholders' approval by ordinary resolution in general meeting. However, the Mandate Limit as refreshed must not exceed 10 per cent of the Shares in issue as at the date of the aforesaid Shareholders' approval (the "**Refreshed Limit**") or such other limits imposed by the Stock Exchange. Awards previously granted or to be granted under the Scheme and any other schemes of the Company (including those outstanding, cancelled, exercised or lapsed in accordance with such schemes) will not be counted for the purpose of calculating the Refreshed Limit.

(iv) *Grant of Awards Limit*

Subject to the Overriding Limit, the Company may also seek separate Shareholders' approval by ordinary resolution in general meeting for granting Awards beyond the Mandate Limit provided that the Awards in excess of the Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought.

(v) *Limit for each Participant*

The total number of Shares issued and to be issued upon exercise of Options or Vesting of Awards granted and to be granted to each Participant or Grantee (including exercised, cancelled and outstanding Options, and Vested and outstanding Awards) in any twelve (12)-month period up to the Offer Date shall not exceed 1 per cent of the Shares in issue at the Offer Date (the "**Individual Limit**"). Any further grant of Awards in excess of the Individual Limit must be subject to Shareholders' approval by ordinary resolution in general meeting with such participant or Grantee and his, her or its associates abstaining from voting. The number and terms (including the Subscription Price (if relevant)) of the Awards to be granted to such participant or Grantee must be fixed before the date of the relevant Shareholders' meeting and the date of the relevant Board meeting for proposing the Offer should be taken as the date for the purpose of calculating the Subscription Price (if relevant).

(p) **Grant to Substantial Shareholders and Independent Non-executive Director**

Where any Offer proposed to be made to a Substantial Shareholder or an independent non-executive Director of the Company or any of his, her or its associates would result in the total number of Shares issued and to be issued to satisfy Awards already granted and to be granted to such person in the twelve (12) month period up to and including the date of Offer:

(i) representing in aggregate over 0.1 per cent. of the Shares in issue at the date of Offer; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of Offer, in excess of HK$5,000,000,

then such Offer and any acceptance thereof must be subject to approval of the Shareholders in general meeting taken on a poll. In addition, Shareholders' approval as described above is also required for any change in the terms of Awards already granted to a Grantee who is a Substantial Shareholder or an independent non-executive Director of the Company or any of his, her or its associates.

(q) **Reorganization of Capital Structure**

(i) In the event of any alteration in the capital structure of the Company whilst any Award remains outstanding, whether by way of capitalization issue, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company or otherwise howsoever, other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which any member of the Group is a party, such corresponding alterations (if any) shall be made to:

(a) the aggregate number of Shares in respect of which Awards may be granted under the Scheme and/or subject to outstanding Awards; and/or

(b) in the case of Options, the subscription price of each outstanding Option; and/or

(c) in the case of Options, the method of exercise of the Option, and/or

(d) the Overriding Limit and the Mandate Limit or any combination thereof as the Company's independent financial adviser or the Auditors shall certify in writing to the Board to be in their opinion to be fair and reasonable, provided that

(a) in the case of Options, any such alterations will be made on the basis that the aggregate subscription price payable on the full exercise of any Option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event; and

(b) no such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value or which would change the proportion of the equity share capital for which any Grantee is entitled on Vesting of his Awards and/or to subscribe pursuant to the Options held by him or her before such alteration.

(ii) In respect of any such alterations, other than any made under a capitalization issue, the Company's independent financial adviser or the auditors shall also confirm to the Board in writing that such alterations satisfy the requirements of Rule 17.03(13) of the Listing Rules and the note thereto.

(iii) The capacity of the Company's independent financial adviser or the Auditors in this paragraph (q) 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 Company's independent financial adviser or auditors shall be borne by the Company.

(r) **Alteration of the Scheme**

The Scheme may subject to the Listing Rules be altered in any respect by resolution of the Board except that the provisions of the Scheme as to:

(i) the definitions of "Participant", "Grantee" and "Option Period"; and

(ii) the preamble and the provisions of paragraphs (c) to (q) of the Scheme (and as paragraphs 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 17 in the full Scheme document)

shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of the Company in general meeting (with all Grantees, prospective Grantees and their associates abstaining from voting), provided that no such alteration shall operate to affect adversely the terms of issue of any Award granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles for the time being of the Company for a variation of the rights attached to the Shares and provided further that any alteration to the terms and conditions of the Scheme which are of a material nature or any change to the terms of Awards granted must be approved by the Shareholders at a general meeting, except where such alterations take effect automatically under the existing terms of the Scheme. Any change to the authority of the Board in relation to any alteration to the terms of the Scheme must be approved by the Shareholders at a general meeting.

(s) **Termination**

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Scheme and in such event no further Awards will be offered or granted but in all other respects the provisions of the Scheme shall remain in full force and effect. Awards which are granted during the life of the Scheme and remain unexpired immediately prior to the termination of the operation of the Scheme shall remain valid in accordance with their terms of issue after the termination of the Scheme.

F OTHER INFORMATION

1 Estate duty, tax and other indemnities

Cordwalner Bonaventure Inc. has entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for each of our present subsidiaries) (being the material contract (f) referred to in paragraph headed "Summary of our material contracts" under the section headed "Further information about our business" in this Appendix) to provide indemnities in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Group and/or its associated companies by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance) to any member of our Group on or before the Listing Date. We have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in Hong Kong or the Cayman Islands.

Under the deed of indemnity, Cordwalner Bonaventure Inc. has also given indemnities to our Group in relation to taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the Listing Date.

The deed of indemnity does not cover any claim and Cordwalner Bonaventure Inc. shall be under no liability under the deed in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group up to December 31, 2006;

(b) to the extent that such taxation falling on any of the members of our Group in respect of their accounting period commencing on January 1, 2007 and ending on the Listing Date, where such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of such members (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of Cordwalner Bonaventure Inc., otherwise 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 December 31, 2006; or

  (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before December 31, 2006 or pursuant to any statement of intention made in the prospectus; or

(c) to the extent that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to December 31, 2006 and which is finally established to be an over-provision or an excessive reserve, in which case Cordwalner Bonaventure Inc.'s liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this item (d) to reduce Cordwalner Bonaventure Inc.'s liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, Cordwalners Bonaventure Inc. has also undertaken to our Group that it will indemnify and at all times keeps our Group fully indemnified on demand from and against all losses, damages, costs and expenses arising out of or in connection with our Group's failure to obtain the relevant title certificates in respect of the business premises of Dalingshan-2 Plant, Dalingshan-3 Plant and Dalingshan-4 Plant and the Ancillary Premises as referred to in the paragraph "Land and Buildings Owned by the Group" in the sub-section "Premises, Land Use Rights and Property Interests" in the section headed "Business" of this prospectus.

2 Litigation

Save as disclosed in this prospectus, no member of our Group is engaged in any material litigation, arbitration, claim of material importance or administrative proceedings. So far as our Directors are aware, no such litigation, arbitration or administrative proceedings are pending or threatened or against us, that would have a material adverse effect on our results of operations or financial condition.

3 Preliminary expenses

The estimated preliminary expenses are approximately US$3,500 and are payable by our Company.

4 Sponsor

The Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue, the Offer Shares (including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued pursuant to the exercise of options to be granted, or to satisfy the grant of share awards, under the Long Term Incentive Scheme (up to 10% of the Shares in issue on the Listing Date (without taking into account the Shares that may be issued upon the exercise of the Over-allotment Option)).

5 No material adverse change

Save as disclosed in this prospectus, the Directors believe that there has been no material adverse change in the Group's financial or trading position or prospects since December 31, 2006 (being the date on which the latest audited combined financial statements of the Group was made up).

6 Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

7 Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) neither we nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (iv) none of our equity or debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (v) we have no outstanding convertible debt securities or debentures;
- (vi) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages fee or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(vii) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company or any of our subsidiaries.

(b) All necessary arrangements have been made enabling the securities to be admitted into CCASS.

(c) Save as disclosed in the accountants report in Appendix I to this prospectus, we have no material mortgage or charge.

(d) Our promoter is Mr. Jimmy Chen. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid, allotted or given or are proposed to be paid, allotted or given to the promoter named above in connection with the Global Offering and the related transactions described in this prospectus.

8 Global Industry Analyst

In connection with the Global Offering, we purchased a report prepared by Global Industry Analyst ("GIA") which contained a detailed analysis of the global footwear market and related industries. We did not commission them to prepare the report, and the report was readily available for sale.

The methodology employed combines primary and secondary research to provide an analysis of the market. Data collection is carried out by analysts with specific knowledge of the footwear industries. Secondary sources such as company reports and trade data of industry groups and government statistics provided the historical context for the analysis of trends. In addition, GIA sent out (i) questionnaires targeting marketing and sales executives worldwide, and (ii) detailed and focused letters to senior management in footwear companies worldwide, for a perspective of the market in different regions. Further, GIA conducted interviews with manufacturers in order to support its forecast model. The interviews also served as a method of cross-checking and verifying data and assumptions. GIA's forecasts were developed by modeling key market drivers to determine the future development of the market.

We have included certain information from GIA's report in this prospectus because we believe such information, which is not publicly available, will help potential investors better understand the footwear market. Although we believe the data complied by GIA fairly reflects the footwear market, neither we, the Sponsor nor any of the Underwriters have verified the accuracy of the data compiled by GIA.

GIA is a market research company and has produced reports on the footwear industry. We purchased from GIA a copy each of their 2005 and 2007 versions of the footwear industry report, and obtained GIA approval for our use of selected excerpts from the purchased reports in this prospectus, for US$7,900.

9 Qualification of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name of Expert	Qualification
Goldman Sachs (Asia) L.L.C.	a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Sallmanns (Far East) Limited	Property valuer
Jiantian & Gongcheng Attorneys at Law	Legal adviser to the Company on PRC law
Conyers Dill & Pearman	Legal adviser to the Company on Cayman Islands law
Vision & Associates Legal	Legal adviser to the Company on Vietnam law
LCS & Partners	Legal adviser to the Company on Taiwan law

10 Consents of experts

Each of the experts referred to in paragraph 9 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or valuation certificates (as the case may be) and/or the references to its name included herein in the form and context in which they are respectively included.

11 Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE, YELLOW and PINK** Application Forms, the written consents referred to in paragraph F10 of Appendix VI to this prospectus and copies of the material contracts referred to in paragraph C1 of Appendix VI to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Vincent T.K. Cheung, Yap & Co. at 15th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the memorandum of association of the Company and the Articles of Association;

(b) the accountants' report on the Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of the Group for each of the three financial years ended December 31, 2006 (or for the period since their respective dates of incorporation where it is shorter), if any;

(d) the letters prepared by Goldman Sachs (Asia) L.L.C. and Deloitte Touche Tohmatsu on our profit forecast for the financial year ending December 31, 2007, the texts of which are set out in Appendix II to this prospectus;

(e) the letter prepared by Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of the Group, the text of which are set out in Appendix III to this prospectus;

(f) the letter, summary of valuation and valuation certificates relating to the property interests of the Group prepared by Sallmans (Far East) Limited, the texts of which are set out in Appendix IV to this prospectus;

(g) letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Companies Law referred to in Appendix V to this prospectus;

(h) the material contracts referred to in paragraph C1 of Appendix VI to this prospectus;

(i) the written consents referred to in the paragraph F10 of Appendix VI to this prospectus;

(j) the legal opinions dated prepared by Jiantian & Gongcheng Attorneys at Law in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(k) the Companies Law; and

(l) the Long Term Incentive Scheme.

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