La Chapelle

上海拉夏貝爾服飾股份有限公司
Shanghai La Chapelle Fashion Co., Ltd.

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

Stock Code：06116

GLOBAL OFFERING

Sole Sponsor

CICC 中金香港证券

Joint Global Coordinators

CICC 中金香港证券

CLSA A CITIC Securities Company

Joint Bookrunners

CICC 中金香港证券

CLSA A CITIC Securities Company

Jefferies

海通國際 HAITONG

VMS Securities 鼎珮证券

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

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**121,579,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**12,158,000 H Shares (subject to adjustment)**
Number of International Offer Shares	:	**109,421,000 H Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$18.20 per H Share plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**06116**

Sole Sponsor

Joint Global Coordinators

Joint Bookrunners

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

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around 29 September 2014 and, in any event, not later than 8 October 2014. The Offer Price will be no more than HK$18.20 per H Share and is currently expected to be no less than HK$13.98 per H Share unless otherwise announced. If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or before 8 October 2014, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus (which is HK$13.98 to HK$18.20 per H Share) 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 reduction in the number of Offer Shares and/or the indicated offer price range will be published in the South China Morning Post (in English), and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.lachapelle.cn**. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

We are incorporated, and all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the mainland of the PRC and Hong Kong, and that there are different risk factors relating to investment in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of our Shares. Such differences and risk factors are set forth in "Risk Factors", "Regulatory Overview", Appendix IV – "Summary of Principal Legal and Regulatory Provisions" and Appendix V – "Summary of Articles of Association".

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any State securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered or sold (a) in the United States to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in accordance with Regulation S.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applications for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set forth in "Underwriting". It is important that you refer to that section for further details.

24 September 2014

Last time to complete electronic applications under the **White Form eIPO** service through the designated website **www.eipo.com.hk**[4]	11:30 a.m. on 29 September 2014
Application lists of the Hong Kong Public Offering open[2]	11:45 a.m. on 29 September 2014
Latest time for lodging **white** and **yellow** Application Forms	12:00 noon on 29 September 2014
Latest time to give **electronic application instructions** to HKSCC[3]	12:00 noon on 29 September 2014
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on 29 September 2014
Application lists of the Hong Kong Public Offering close	12:00 noon on 29 September 2014
Expected Price Determination Date[5]	29 September 2014

Announcement of:

- the Offer Price;
- the level of indication of 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 on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.lachapelle.cn**[6] on or before	8 October 2014
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares – Publication of Results" in this prospectus from	8 October 2014
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	8 October 2014
Despatch of H Share certificates in respect of wholly or partially successful applications on or before[7]	8 October 2014
Despatch of **White Form eIPO** e-Refund Payment[8] Instructions and refund checks (if applicable) on or before	8 October 2014
Dealings in the H Shares on the Stock Exchange expected to commence on	9 October 2014

Notes:

(1) All dates and times refer to Hong Kong local time and dates unless otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in "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 29 September 2014, the application lists will not open on that day. For further information, please refer to "How to Apply for Hong Kong Offer Shares – Effect of Bad Weather 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 "How to Apply for Hong Kong Offer Shares – Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus.

(4) You will not be permitted to submit your application through the designated website **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about 29 September 2014 and, in any event, not later than 8 October 2014. If, for any reason, the Offer Price is not agreed on or before 8 October 2014, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this prospectus.

(7) Share certificates for the H Shares are expected to be issued on or around 8 October 2014 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be on or about 9 October 2014. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible.

(8) e-Refund Payment instructions/Refund checks will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure of the Global Offering and the conditions and procedures for application for Hong Kong Offer Shares.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

CONTENTS

This summary is intended to give you an overview of the information contained in this prospectus. Since 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 before you decide whether to invest in the Offer Shares.

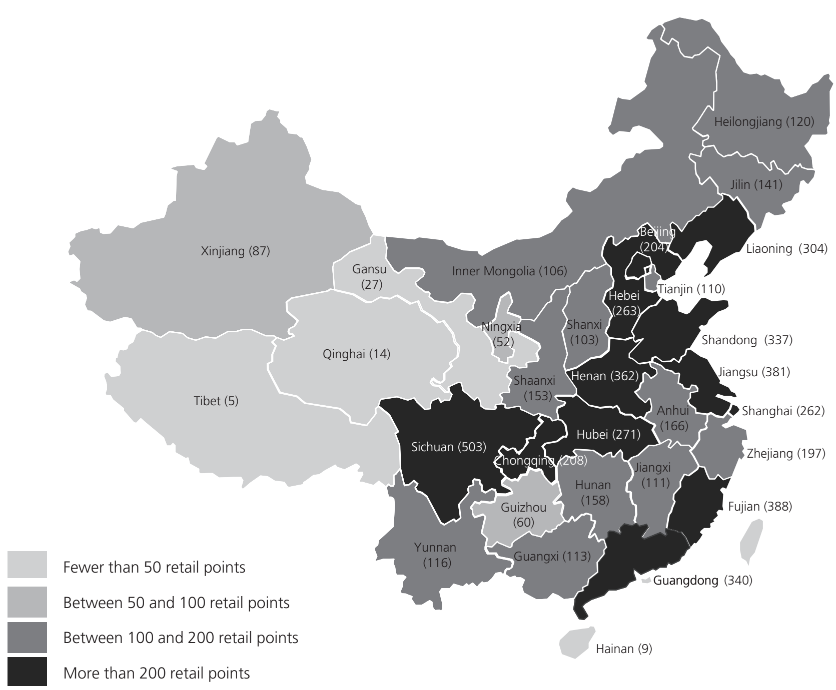
OVERVIEW OF OUR BUSINESS

We are a fast-growing multi-brand fashion group in the PRC that designs, markets and sells apparel products with a focus on mass-market ladies' casualwear. We strive to offer customers the latest fashions at competitive prices through a wide range of apparel products under eight brands, namely La Chapelle, La Chapelle Sport, 7.Modifier, Candie's, La Chapelle Homme, La Babité, La Chapelle Kids and Pote.

We have established a leading position in the mass-market ladies' casualwear segment in the PRC. According to the Euromonitor Report, we ranked third (in terms of market share based on retail sales), and had a market share (based on retail sales) of approximately 5.7%, in this market segment in the PRC in 2013, placing us ahead of some well-known international brands. Retail sales in this market segment in the PRC reached RMB123.3 billion in 2013, representing approximately 65.3% of the total retail sales in the mass-market adult casualwear segment in the PRC in 2013, according to the Euromonitor Report. Euromonitor estimates that retail sales in the mass-market ladies' casualwear segment in the PRC will reach approximately RMB217.4 billion in 2018 (representing a CAGR of approximately 12.0% from 2013 to 2018), which will represent approximately 66.2% of the estimated total retail sales in the mass-market adult casualwear segment in the PRC in 2018. While our business has a focus on ladieswear, we have diversified into menswear by launching La Chapelle Homme and Pote and into childrenswear by launching La Chapelle Kids.

We sell our products directly to retail customers through retail points (100% of which are directly controlled and operated by us) and, since August 2014, through our online flagship store on Tmall (a well-known business-to-customer online shopping platform in the PRC). This direct retail sales model sets us apart from the majority of our competitors. As at 30 June 2014, our extensive nationwide retail network comprised 5,671 retail points located in approximately 1,900 physical locations, comprising mainly department stores and shopping malls, across all 31 provinces, autonomous regions and municipalities in the PRC.

The following map demonstrates the coverage of our retail network in the PRC as at 30 June 2014:



We significantly expanded our retail network during the Track Record Period. The number of our retail points increased from 1,841 as at 31 December 2011 to 5,671 as at 30 June 2014. The following table sets out a breakdown of the number of our retail points by tier of cities as at the dates indicated:

	As at 31 December						As at 30 June	
	2011		2012		2013		2014	
	Number of retail points	% of total	Number of retail points	% of total	Number of retail points	% of total	Number of retail points	% of total
Tier I Cities	277	15.0	413	12.3	561	10.4	591	10.4
Tier II Cities	740	40.2	1,333	39.9	1,929	35.8	2,158	38.1
Tier III Cities	442	24.0	800	24.0	1,451	27.0	1,387	24.5
Other Cities	382	20.8	794	23.8	1,443	26.8	1,535	27.0
Total	1,841	100.0	3,340	100.0	5,384	100.0	5,671	100.0

Our retail points are operated in the form of concessionaire counters and standalone retail outlets. We strategically locate our concessionaire counters within well-known department stores (such as New World (新世界), Parkson (百盛), Bailian (百聯), Maoye (茂業), Rainbow (天虹), Wanda (萬達), Silver Plaza (銀座) and Dayang (大洋)) and locate our standalone retail outlets within major shopping malls in the PRC (such as Wanda (萬達) and CapitaLand (凱德集團)) or on streets with visibility and customer traffic. The following table sets out a breakdown of our revenue by distribution channels during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB thousands	% of total	RMB thousands	% of total	RMB thousands	% of total	RMB thousands (unaudited)	% of total	RMB thousands	% of total
Retail										
Concessionaire counters	1,584,935	85.0	3,082,771	79.6	4,602,621	73.9	2,091,094	74.7	2,499,645	71.2
Standalone retail outlets	270,421	14.5	788,639	20.4	1,622,466	26.1	708,835	25.3	1,011,119	28.8
Online platform[(1)]	4,257	0.3	–	–	–	–	–	–	–	–
	1,859,613	99.8	3,871,410	100.0	6,225,087	100.0	2,799,929	100.0	3,510,764	100.0
Wholesale distributors	4,554	0.2	708	0.0	–	–	–	–	–	–
Total	1,864,167	100.0	3,872,118	100.0	6,225,087	100.0	2,799,929	100.0	3,510,764	100.0

Note:

(1) Sales from online platform represent the sales we made through a third-party agent on an online platform.

Based on our recent performance, it generally took a concessionaire counter and a standalone retail outlet in our retail network: (a) approximately three to nine months and approximately three to twelve months, respectively, to reach the "breakeven point" for three consecutive months; and (b) at least 15 months and at least 16 months, respectively, to reach the "investment payback point". For details, please refer to "Business – Our Extensive Nationwide Retail Network".

To better leverage the synergies among our brands and to increase our market presence at prime locations, we usually place retail points of different brands next to each other in the same department store or shopping mall, and we consider each such department store, shopping mall and each standalone retail outlet on a street as one physical location for the purpose of assessing the density of our retail network. We believe that this strategy not only maximises the exposure of our brands at prime locations, but also helps to minimise the effect of cannibalisation as those retail points are operated under different brands with their own styles and target customers. As at 30 June 2014, our 5,671 retail points were located in approximately 1,900 physical locations. For details of our current expansion plans for our retail network, please refer to "Business – Our Extensive Nationwide Retail Network – Retail Network Expansion".

As a result of the expansion of our retail network and the increase in our Same Store Sales from FY2011 to FY2013, our revenue increased significantly from RMB1,864.2 million in FY2011 to RMB3,872.1 million in FY2012 and RMB6,225.1 million in FY2013, representing a CAGR of 82.7%. In 1HFY2014, our revenue increased by 25.4% to RMB3,510.8 million from RMB2,799.9 million in 1HFY2013. Our net profit increased from RMB123.0 million in FY2011 to RMB259.6 million in FY2012 and RMB413.4 million in FY2013, representing a CAGR of 83.3%. In 1HFY2014, our net profit increased by 36.4% to RMB230.6 million from RMB169.0 million in 1HFY2013.

In order to access the rapidly growing online retail market in the PRC, in August 2014, we launched our online flagship store on Tmall (a well-known business-to-customer online shopping platform in the PRC) . Our online flagship store also represents the first step in implementing our O2O strategy to take advantage of the potential synergies between offline and online retail channels. Our O2O strategy aims at integrating traditional physical stores with online channels. We believe that our online flagship store will enhance customers' awareness of our brands and attract online customers to our retail points and that customers who have gained familiarity with our brands and experienced our services at our retail points will have greater confidence in our products offered through our online flagship store. For details, please refer to "Business – Online Sales Platform and O2O Strategy".

OUR HISTORY AND MAJOR SHAREHOLDERS

Our history dates back to the establishment of Shanghai Xuhui La Chapelle Fashion Limited (上海徐匯拉夏貝爾服飾有限公司), the predecessor of our Company, in the PRC in March 2001 by Mr. Xing Jiaxing, our founder, Chairman, chief executive officer and an executive Director. After 13 years of development, we have grown into a multi-brand fashion group. LC Fund IV and Beijing Goldman Sachs invested in our Company in April 2010 and May 2013, respectively. For details, please refer to "Investments in Our Company".

As at the Latest Practicable Date, Mr. Xing Jiaxing and Shanghai Hexia directly held 38.90% and 12.39%, respectively, of our Company's issued share capital. Shanghai Hexia is a company set up by Mr. Xing Jiaxing and certain of our employees. Pursuant to an act-in-concert agreement entered into between Mr. Xing Jiaxing and Shanghai Hexia, Mr. Xing Jiaxing is entitled to control the exercise of the voting rights in respect of the Shares held by Shanghai Hexia. For details, please refer to "Our Controlling Shareholders".

OUR BRANDS

We strive to offer customers the latest fashions at competitive prices through a wide range of apparel products under eight brands, namely La Chapelle, La Chapelle Sport, 7.Modifier, Candie's, La Chapelle Homme, La Babité, La Chapelle Kids and Pote. We aim to access a wide customer base with our brands, which have featured styles and images and target different customer groups in terms of age, taste, preference, lifestyle and gender. We intend to reinforce our multi-brand strategy with more effective brand positioning to better align our brands with their respective target customer groups. The following table sets out the target customers and styles of our brands:

Brand	Logo	Target Customer	Year of Launch(1)	Style and Image
La Chapelle	La Chapelle	Ladies	2001	Elegant, classic and romantic
La Chapelle Sport . .	La Chapelle SPORT	Ladies	2003	Casual, fun and stylish
Candie's	Candie's	Ladies	2010	Exquisite, witty and trendy

Brand	Logo	Target Customer	Year of Launch(1)	Style and Image
La Chapelle Homme	LA CHAPELLE HOMME	Men	2011	Classic and retro
7.Modifier	7.Modifier	Ladies	2012	Refreshing, joyful and confident
La Babité	La Babité	Ladies	2012	Refreshing and stylish mixed with Japanese style
La Chapelle Kids . . .	La Chapelle Kids	Kids	2013	Joyful, casual and stylish
Pote	POTE	Men	2013	Vibrant and comfortable

Note:

(1) The year of launch with respect to each of our brands (except La Chapelle, La Chapelle Sport and Candie's) represents the year in which we began registering sales under this brand. The year of launch with respect to La Chapelle represents the year in which we started operations under the name "Shanghai Xuhui La Chapelle Fashion Limited", which was our predecessor and the then owner of the "La Chapelle" trademark. The year of launch with respect to La Chapelle Sport represents the year in which we received the acceptance notice from relevant PRC authorities for our trademark registration application. The year of launch with respect to Candie's represents the year in which we entered into an agreement for the acquisition of the ownership of the "Candie's" trademark.

During the Track Record Period, a majority of our revenue was derived from sales under La Chapelle and La Chapelle Sport, which have the longest history and greatest customer loyalty among all of our brands. In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014 the combined revenue from our sales under these two brands accounted for 96.4%, 88.5%, 73.7%, 77.9% and 67.5% respectively, of our revenue for the corresponding years and periods. Our multi-brand strategy has provided us with an opportunity to diversify the sources of our revenue. The following table sets out a breakdown of our revenue by brands during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB thousands	% of total	RMB thousands	% of total	RMB thousands	% of total	RMB thousands (unaudited)	% of total	RMB thousands	% of total
La Chapelle	979,468	52.5	1,907,344	49.2	2,560,936	41.1	1,212,377	43.3	1,320,247	37.6
La Chapelle Sport	817,612	43.9	1,520,243	39.3	2,031,666	32.6	969,930	34.6	1,050,680	29.9
Candie's	62,200	3.3	224,770	5.8	474,058	7.6	198,720	7.1	290,481	8.3
La Chapelle Homme/Pote(1)	4,880	0.3	72,092	1.9	188,929	3.0	70,760	2.5	137,003	3.9
7.Modifier(2)	–	–	127,946	3.3	701,308	11.3	265,156	9.5	473,754	13.5
La Babité(2)	–	–	19,723	0.5	264,684	4.3	82,986	3.0	228,614	6.5
La Chapelle Kids(3) . . .	–	–	–	–	3,506	0.1	–	–	9,985	0.3
La Lumdi(4)	7	0.0	–	–	–	–	–	–	–	–
Total	1,864,167	100.0	3,872,118	100.0	6,225,087	100.0	2,799,929	100.0	3,510,764	100.0

Notes:

(1) Revenue from sales of La Chapelle Homme in FY2013 included the sales of Pote. Please refer to "Business – Our Brands".

(2) We launched 7.Modifier and La Babité in 2012.

(3) We launched La Chapelle Kids in 2013.

(4) We discontinued La Lumdi in 2010.

During the Track Record Period, our revenue attributable to our newer brands significantly increased as a percentage of our total revenue. Going forward, we intend to continue to focus on enhancing the brand awareness of our newer brands and further increasing their contribution to our revenue. At the same time, we aim to maintain stable growth of sales under the La Chapelle and La Chapelle Sport brands and strategically extend the coverage of these two brands to regions and cities with high growth potential.

SAME STORE SALES

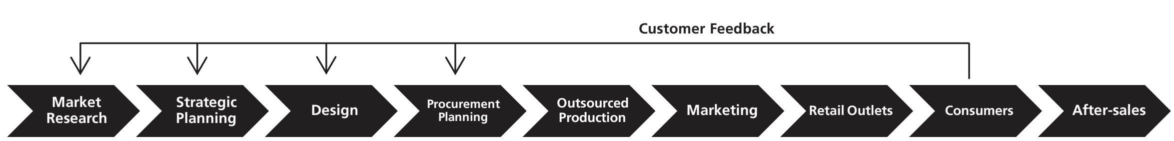
Our profitability is affected by sales performance at the retail points that we operate. We measure this performance by evaluating Same Store Sales, a metric commonly used in the retail industry. We evaluate changes in Same Store Sales on a like-for-like basis by comparing the sales of our retail points using the comparable months of operation for those retail points in two consecutive financial periods (meaning only the months in which those retail points had sales in both periods). A retail point is included in the evaluation of Same Store Sales between two financial periods when it has had sales for more than 12 consecutive months as at the end of the second of the two financial periods.

Our Same Store Sales increased by 41.6% in FY2012 in comparison with FY2011, and increased by 6.6% in FY2013 in comparison with FY2012. In 1HFY2014, our Same Store Sales decreased by 3.4% compared to our Same Store Sales in 1HFY2013. Please refer to "Financial Information – Explanation of Same Store Sales" and "Risk Factors – The growth of our revenue, profit and Same Store Sales decreased in FY2013 compared to previous years and, in recent periods, we had decreases in our Same Store Sales. We may experience further fluctuations or declines in the growth of our revenue, profit or Same Store Sales, or decreases in Same Store Sales, in future periods".

OUR BUSINESS MODEL

We have adopted a business model that enables us to focus on our core strengths in product design, brand development and retail network management. We outsource the production of all our products to third party manufacturers in the PRC. Most of our third party manufacturers procure raw materials based on our requirements, produce the products based on our designs and sell the finished goods to us. We believe that our business model puts us in a position to promptly respond to market changes and to minimise excess inventories. For details, please refer to "Business – Product Development" and "Business – Outsourced Production and Procurement".

The following diagram illustrates our current business model:



OUR COMPETITIVE STRENGTHS

We believe that our following strengths have been key to our growth and enable us to compete successfully. For details, please refer to "Business – Our Competitive Strengths".

- Leading position in the mass-market ladies' casualwear segment in the PRC and well-placed to capture growth opportunities in the world's second largest clothing market.
- Direct control and operation of 100% of the retail points for our products.
- Extensive nationwide network of retail points located at prime locations in the PRC.

- Strong product design and development capabilities with frequent and diversified product offerings.
- Multi-brand strategy that enables us to access a wide customer base and to diversify the sources of our revenue and our retail channels.
- Experienced management team that cultivates an on-going learning and development culture.

OUR BUSINESS STRATEGIES

We adopt the following strategies to enhance our overall competitiveness and to increase our market share in the future. For details, please refer to "Business – Our Business Strategies".

- Strategically expand our retail network and implement our O2O strategy to target growth opportunities in the PRC clothing market.
- Reinforce our multi-brand strategy with more effective brand positioning to capture new market opportunities.
- Focus on increasing Same Store Sales to achieve sustainable growth.
- Strengthen supply chain management and enhance warehousing and logistics infrastructure.
- Optimise and upgrade our information systems.
- Strengthen product design and development capabilities and improve corporate management.

KEY SELECTED FINANCIAL INFORMATION

Summary Consolidated Statements of Comprehensive Income

We present in the following table certain key line items in our consolidated statements of comprehensive income, as well as a brief analysis of material changes during the Track Record Period. Please refer to "Financial Information – Description of Selected Line Items in Our Consolidated Statements of Comprehensive Income" and "Financial Information – Results of Operations" for detailed discussions.

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands (unaudited)	RMB thousands
Revenue	1,864,167	3,872,118	6,225,087	2,799,929	3,510,764
Cost of sales	(547,248)	(1,095,177)	(1,941,710)	(869,142)	(1,082,776)
Gross profit	**1,316,919**	**2,776,941**	**4,283,377**	**1,930,787**	**2,427,988**
Selling and marketing expenses	(1,053,217)	(2,265,332)	(3,495,431)	(1,566,900)	(1,963,762)
Profit before income tax	168,450	351,249	553,392	227,096	308,492
Income tax expenses	(45,483)	(91,694)	(140,019)	(58,047)	(77,887)
Profit for the year/period	**122,967**	**259,555**	**413,373**	**169,049**	**230,605**
Profit attributable to:					
Equity owners of our Company	127,243	259,905	407,298	169,049	226,335
Non-controlling interests	(4,276)	(350)	6,075	–	4,270
Gross profit margin[(1)] (%)	70.6	71.7	68.8	69.0	69.2
Net profit margin[(2)] (%)	6.6	6.7	6.6	6.0	6.6

Notes:

(1) Gross profit margin for a financial year or a financial period is equal to the gross profit for the year or the period divided by the revenue for the same year or the same period and multiplied by 100.

(2) Net profit margin for a financial year or the same period is equal to the profit for the year or the period divided by the revenue for the same year or the same period and multiplied by 100.

Revenue – We generate revenue from sales of our products to consumers at our retail points. Our revenue significantly increased during the Track Record Period, which was primarily due to the expansion of our retail network and increase in our Same Store Sales from FY2011 to FY2013.

Selling and marketing expenses – As we directly operate 100% of our retail points, we assume significant selling and marketing expenses relating to our retail network, such as concessionaire fees and rental and store maintenance expenses for our retail points and salaries of our sales employees. In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, our selling and marketing expenses were equal to 56.5%, 58.5%, 56.2%, 56.0% and 55.9%, respectively, of our revenue for the corresponding years and periods. The significant increase in our selling and marketing expenses during the Track Record Period was largely attributable to the opening of our new retail points.

Summary Consolidated Balance Sheets

We present in the following table certain key line items in our consolidated balance sheets, as well as a brief analysis of certain significant movements during the Track Record Period. Please refer to "Financial Information – Description of Selected Line Items in Our Consolidated Balance Sheets" and "Financial Information – Indebtedness" for detailed discussions.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands
Current assets	903,948	1,821,316	2,934,846	2,804,194
Inventories	398,082	826,906	1,292,927	1,211,009
Trade receivables	333,298	687,588	873,591	717,875
Cash and cash equivalents	102,411	108,614	520,550	637,816
Current liabilities	744,597	1,781,917	2,622,504	2,323,079
Trade and bill payables	350,686	794,196	915,225	523,440
Borrowings	106,000	425,000	780,000	987,600
Net current assets	**159,351**	**39,399**	**312,342**	**481,115**
Total assets	**1,105,541**	**2,353,970**	**3,892,577**	**3,724,399**
Total liabilities	**745,626**	**1,785,558**	**2,629,229**	**2,369,674**
Total equity	**359,915**	**568,412**	**1,263,348**	**1,354,725**
Equity attributable to owners of the Company	359,915	568,412	1,257,273	1,344,380

Inventories – Our inventories, which primarily comprise inventories of finished goods, constituted 36.0%, 35.1%, 33.2% and 32.5% of our total assets as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. We have relatively large inventory balances because the nature of our business requires us to maintain sufficient inventories to support the sales growth driven by the expansion of our retail network. We also need to have products in different designs, colours and sizes for display and to satisfy demand from different customers. In addition, we generally have higher inventory levels in anticipation of sales peaks during various public holidays in the second half of the year, such as the PRC's National Day, Christmas and New Year. Our inventory level is also vulnerable to adverse changes in microeconomic conditions and unexpected climate change. The increase in our inventories during the Track Record Period was primarily due to the expansion of our retail network and launch of new brands.

Trade receivables – The department stores and a few shopping malls where our retail points are operated collect payments from sales of our products at our retail points pursuant to our concessionaire agreements and lease agreements. Such payments are recognised as our trade receivables until the department stores and shopping malls transfer the payments to us (after deducting concessionaire fees and other agreed deductibles). The increase in our trade receivables during the Track Record Period was mainly attributable to an increase in our sales through our concessionaire counters within department stores.

Summary Consolidated Cash Flow Statements

The following table summarises certain key line items in our consolidated cash flow statements during the Track Record Period. For details, please refer to "Financial Information – Liquidity and Capital Resources".

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands (unaudited)	RMB thousands
Net cash generated from operating activities	80,613	86,842	303,469	23,008	266,813
Net cash used in investing activities	(129,429)	(369,999)	(489,509)	(192,284)	(233,350)
Net cash generated from financing activities	94,000	289,360	597,976	548,489	83,803
Net increase in cash and cash equivalents	45,184	6,203	411,936	379,213	117,266
Cash and cash equivalents at the end of the year/period	102,411	108,614	520,550	487,827	637,816

During the Track Record Period, our operating cash flows and cash balances experienced significant fluctuations, which did not correspond to the growth in our revenue and profit. A substantial portion of our operating cash outflows was attributable to purchases of inventories as we expanded our sales and retail network and launched new brands. An increase in trade receivables due from department stores relating to sales at concessionaire counters also decreased our operating cash inflow, particularly in FY2011 and FY2012, which largely resulted from an increase in sales at concessionaire counters. In addition, newly opened retail points usually experience an initial development period before breaking even or achieving profitability. During this initial development period, operating cash outflow may exceed cash inflow generated by these retail points.

WORKING CAPITAL

Our working capital has been, and is expected to continue to be, used to fund the expansion of our retail network, diversify our product portfolio and strengthen our logistics capabilities and management information systems. We have satisfied our working capital and other liquidity requirements with cash from sales of our products, available banking facilities from PRC commercial banks and equity contributions by our Shareholders. Taking into account our existing financial resource and the estimated net proceeds of the Global Offering, our Directors believe that we will have sufficient funds for our present working capital requirements for at least the next 12 months from the date of this prospectus. Please refer to "Financial Information – Working Capital Sufficiency" for details.

RECENT DEVELOPMENTS

We had not experienced any material change in general business condition during the period between 1 July 2014 and the Latest Practicable Date in comparison with the same period in 2013. Other than as disclosed in this prospectus, since 30 June 2014 and up to the Latest Practicable Date, there had not, as far as we are aware, been any material changes in the general economic and market conditions in the PRC or the industry in which we operate that have a material and adverse impact on our business operations and financial condition. See "Risk Factors – Risks Related to our Business and the Clothing Industry – The growth of our revenue, profit and Same Store Sales decreased in FY2013 compared to previous years and, in recent periods, we had decreases in our Same Store Sales. We may experience further fluctuations or declines in the growth of our revenue, profit or Same Store Sales, or decreases in Same Store Sales, in future periods".

In July 2014, we entered into a joint venture agreement pursuant to which we agreed to set up a Sino-foreign joint venture, Marc Ecko China, with ICL-Marc Ecko for the purpose of launching Marc Ecko, a menswear brand, in the PRC. Please refer to "Business – Brand Development".

In order to access the rapidly growing online retail market in the PRC, in August 2014, we launched our online flagship store on Tmall (a well-known business-to-customer online shopping platform in the PRC). Our online flagship store also represents the first step in implementing our O2O strategy to take advantage of the potential synergies between offline and online retail channels. For details, please refer to "Business – Online Sales Platform and O2O Strategy".

DIVIDEND POLICY

Subject to the conditions set out in our dividend policy, we may distribute dividends in cash or in stocks for the year ending 31 December 2014. If in cash, the dividend will be no less than 20.0% of the distributable profits attributable to Shareholders of our Company for the financial year. Please refer to "Financial Information – Dividend Policy".

THE CLOTHING MARKET AND LADIES' CASUALWEAR IN THE PRC

With continued economic development and urbanisation, combined with a large population base, the PRC became the world's second largest clothing market (in terms of retail value size) in 2013, with total retail sales of U.S.$247.4 billion, according to the Euromonitor Report. It was second only to the clothing market in the United States, which had total retail sales of U.S.$298.9 billion in 2013.

In line with the growth of the PRC clothing market, the mass-market ladies' casualwear market segment in the PRC has significantly expanded during the past five years. According to the Euromonitor Report, retail sales in this market segment in the PRC reached RMB123.3 billion in 2013, representing approximately 65.3% of the total retail sales in the mass-market adult casualwear segment in the PRC in 2013. Euromonitor estimates that retail sales in the mass-market ladies' casualwear segment in the PRC will reach approximately RMB217.4 billion in 2018 (representing a CAGR of approximately 12.0% from 2013 to 2018), which will represent approximately 66.2% of the estimated total retail sales in the mass-market adult casualwear segment in the PRC in 2018.

The PRC mass-market ladies' casualwear segment has become highly competitive. This market segment is generally fragmented, and both international brands and domestic brands are working to increase their market shares and brand awareness. Both international and domestic brands are also penetrating lower-tier markets. As such, Euromonitor predicts that the growth of both supply of and demand for mass-market ladies' casualwear in the PRC will contribute to the expansion of this segment's market size.

RISK FACTORS

There are risks associated with any investment. We summarise below certain risks that we believe are most relevant to our business, financial condition, results of operations and future prospects:

- We operate in a highly competitive and fast changing market and we compete with a number of domestic and international market participants, some of which have greater financial resources, larger scales of production, better brand recognition and/or wider distribution networks than us. If we are unable to compete with our existing and future competitors successfully, we may lose our market share and our business and results of operations may be materially and adversely affected.

- We have adopted a multi-brand strategy and have launched five new brands since the beginning of 2011. Brand development requires substantial time and capital investments and the newer brands face challenges relating to, among others, brand positioning and marketing and pricing strategies. In addition, a new brand typically requires a period of initial development, during which it requires on-going investment and may negatively affect our overall profitability before it becomes profitable, if at all.

- The success of our retail network expansion plans depends on a number of factors, such as our ability to find suitable locations and hire competent personnel for new retail points and whether we are able to develop a customer base and sales at our new retail points. In addition, there is a substantial capital outlay associated with opening new retail points because of our direct sales model. If our expansion plans are not effectively implemented, our profitability and growth may be adversely affected, and we may not realise the expected levels of returns or any returns at all.

- We need to maintain sufficient inventories to support the increasing demand of our extensive retail network. Our inventory levels may increase for a number of reasons, such as increased sales, expansion of our retail network, change of target customers' preference and/or decrease in market demand due to unexpected climate change. Any failure to closely monitor and effectively control our inventories may adversely affect our pricing strategies, increase write-downs and write-offs and result in strains on our cash flow.

Please refer to "Risk Factors" for further details. **You should read that entire section carefully before you decide to invest in the Offer Shares.**

KEY OFFERING STATISTICS

Expected market capitalisation	:	HK$6,799 million to HK$8,851 million (assuming no exercise of the Over-allotment Option)
Offer size	:	Initially 25.0% (excluding H Shares to be offered pursuant to the exercise of the Over-allotment Option) of the enlarged issued share capital of the Company
Offer price	:	HK$13.98 to HK$18.20 per H Share
Board lot	:	200 H Shares
Offering structure	:	90% International Offering and 10% Hong Kong Public Offering (subject to adjustment and the Over-allotment Option)

USE OF PROCEEDS

Assuming the Offer Price is HK$16.09 per H Share (being the mid-point of the indicative range of the Offer Price) and the Over-allotment Option is not exercised, we estimate that the net proceeds of the Global Offering will be approximately HK$1,855.2 million, after deducting the underwriting fees and commissions (assuming the discretionary incentive fee is fully paid) and estimated expenses payable by us for the Global Offering. We plan to use:

- approximately 83.0% of the net proceeds for strategic expansion of our retail network, which primarily involves the opening of no fewer than 1,000 retail points and acquiring potential land and property for infrastructure that complements our retail network over the next three years.
- approximately 6.0% of the net proceeds for further improvement of our management information system over the next two years, including upgrading our existing SAP ERP system, setting up a new data centre and data backup centre and rolling out a number of new systems to strengthen our management and operational efficiency.
- approximately 1.0% of the net proceeds for developing a management school over the next 12 months.
- the remaining amount, being approximately 10.0% of the net proceeds, for our working capital and general corporate purposes.

Please refer to "Future Plans and Use of Proceeds" for further details.

LISTING EXPENSES

We incurred listing expenses (excluding underwriting commission) of RMB25.0 million during the Track Record Period and expect to incur approximately RMB8.5 million prior to completion of the Global Offering, of which approximately RMB4.8 million will be recognised in our consolidated statements of comprehensive income for the year ending 31 December 2014 and approximately RMB3.7 million will be deducted from equity directly.

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

"1HFY2013"	the six months ended 30 June 2013
"1HFY2014"	the six months ended 30 June 2014
"2HFY2013"	the six months ended 31 December 2013
"2010 Investors"	Mr. Xing Jiaxing, Good Factor, Boxin First Phase, Shanghai Hexia, Shanghai Ronggao, Mr. Yu Tiecheng (俞鐵成) and Mr. Zhang Jiangmin (張江敏)
"2013 Investors"	the 2010 Investors and Beijing Goldman Sachs
"Administrative Measures"	Administrative Measures on Foreign Investments in Commercial Sectors (外商投資商業領域管理辦法)
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"Articles of Association"	the Articles of Association of our Company (as amended from time to time), a summary of which is set out in Appendix V – "Summary of Articles of Association"
"Asia Alternatives Q Fund"	Asia Alternatives (Shanghai) Q Fund L.P. (鯤行(上海)股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on 5 March 2012, and an Independent Third Party
"Banking Ordinance"	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended or supplemented from time to time
"Beijing Goldman Sachs"	Beijing Goldman Sachs Investment Centre (Limited Partnership) (北京高盛投資中心(有限合夥)), a limited partnership established in the PRC on 15 September 2011, and an Independent Third Party
"Board" or "Board of Directors"	the board of directors of our Company
"Boxin China"	Boxin China Growth Fund I L.P., a limited partnership established in the Cayman Islands on 28 June 2011, and an Independent Third Party

"Boxin First Phase"	Boxin First Phase (Tianjin) Equity Fund Partnership (Limited Partnership) (博信一期(天津)股權投資基金合夥企業(有限合夥)), formerly known as Tianjin Boxin Phase I Investment Centre (Limited Partnership) (天津博信一期投資中心(有限合夥)), a limited partnership established in the PRC on 1 April 2008, and an Independent Third Party
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"CAGR"	compound annual growth rate
"Candie's Shanghai"	Candie's Shanghai Fashion Co., Ltd. (上海樂歐服飾有限公司), a limited liability company incorporated in the PRC on 18 October 2010 and one of our subsidiaries, the equity interest of which is owned by the Company as to 65%, ICL-Candies Limited as to 20% and TBP New Classics Holdings (H.K.) Limited as to 15%
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CICC"	China International Capital Corporation Hong Kong Securities Limited
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company", "La Chapelle", "our", "we" or "us"	Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司), a joint stock company with limited liability incorporated in the PRC on 23 May 2011 and converted from the predecessor, Shanghai La Chapelle Fashion Limited, together with, except where the context otherwise requires, all of its subsidiaries

"Controlling Shareholders"	Mr. Xing Jiaxing and Shanghai Hexia
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Non-Competition"	(i) the deed of non-competition dated 10 September 2014 entered into by Mr. Xing Jiaxing, our Controlling Shareholder, in favour of our Company, and (ii) the deed of non-competition dated 10 September 2014 entered into by Shanghai Hexia, our Controlling Shareholder, in favour of our Company, details of which are set out in "Our Controlling Shareholders"
"Director(s)"	director(s) of our Company
"Distribution Circular"	Circular on Relevant Issues concerning the Expansion of the Business Scope for Foreign-invested Non-commercial Enterprises to include Distribution (關於外商投資非商業企業增加分銷經營範圍有關問題的通知)
"Domestic Shares"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC natural persons or entities established under the laws of the PRC
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) adopted by the Tenth National People's Congress on 16 March 2007, and effective on 1 January 2008
"Enterprise Income Tax" or "EIT"	enterprise income tax of the PRC
"Euromonitor"	Euromonitor International Limited, a market research firm and an Independent Third Party, which engages in the provision of international market intelligence including consumer products, services and lifestyles
"Euromonitor Report"	a market research report prepared by Euromonitor on the PRC overall adult clothing and adult casualwear market, particular the mass-market casualwear market and the mass-market ladies' casualwear market in the PRC, which was commissioned by us
"Foreign Investment Catalogue"	Foreign Investment Industrial Guidance Catalogue of the PRC (外商投資產業指導目錄)
"Foreign Investors"	investors from Hong Kong, Macau, Taiwan or any country or territory outside the PRC

"Foreign Shares"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in a currency other than RMB by persons other than PRC natural persons or entities established under the laws of the PRC
"FY2011"	the financial year ended 31 December 2011
"FY2012"	the financial year ended 31 December 2012
"FY2013"	the financial year ended 31 December 2013
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Good Factor"	Good Factor Limited, a limited liability company incorporated under the laws of Hong Kong on 9 October 2009, a director of which is our Director, Mr. Li Jiaqing, and which is a substantial shareholder, and the equity interest of which is owned by LC Fund IV as to 78.5%, LC Parallel Fund IV, L.P. as to 8.2%, Favor Mega Holdings Limited as to 5.3%, and Grandsun International Investment Limited as to 8%
"Good Factor Capital Increase Agreement"	the agreement to increase capital dated 19 October 2010 entered into between our Company and the 2010 Investors
"Good Factor Investment"	the investment in the Company by LC Fund IV, through its subsidiary, Good Factor, pursuant to the Good Factor Subscription Agreement and the Good Factor Capital Increase Agreement
"Good Factor Subscription Agreement"	the subscription agreement dated 31 December 2009 entered into between our Company and the 2010 Investors
"Green Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group"	our Company and our subsidiaries
"GS Director"	the Director nominated by Beijing Goldman Sachs to the Board of Directors pursuant to the GS Investment Agreements
"GS Investment"	the investment into the Company by Beijing Goldman Sachs pursuant to the GS Subscription Agreement and the GS Supplemental Agreement

"GS Investment Agreements"	the GS Shareholders Agreement, the GS Subscription Agreement, the GS Supplemental Agreement and the waiver letter dated 20 January 2014 provided by Beijing Goldman Sachs and acknowledged and agreed by the 2010 Investors and the Company, in connection with the abovementioned agreements
"GS Shareholders Agreement"	the shareholders agreement dated 27 May 2013 entered into among our Company and the 2013 Investors, as amended and supplemented by the GS Supplemental Agreement
"GS Subscription Agreement"	the share subscription agreement dated 27 May 2013 entered into among our Company and the 2013 Investors, as amended and supplemented by the GS Supplemental Agreement
"GS Supplemental Agreement"	the supplemental agreement dated 8 August 2013 entered into among our Company and the 2013 Investors, to amend and supplement the GS Shareholders Agreement and the GS Subscription Agreement
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shares"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, for which an application has been made for the listing of, and the permission to deal, on the Stock Exchange and which are to be traded in Hong Kong dollars
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Offer Shares"	the 12,158,000 H Shares initially being offered by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in "Structure of the Global Offering"
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in "Structure of the Global Offering – The Hong Kong Public Offering"
"Hong Kong Underwriters"	the underwriters listed in "Underwriting – Hong Kong Underwriters", being the underwriters of the Hong Kong Public Offering

"Hong Kong Underwriting Agreement"	the underwriting agreement dated 23 September 2014 relating to the Hong Kong Public Offering entered into by, among others, the Company, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement"
"ICL-Marc Ecko"	ICL-Marc Ecko Limited, a private company incorporated in Hong Kong, which is wholly owned by Iconix China Limited. Iconix China Limited is a subsidiary of Iconix Brand Group Inc., which is a brand management company listed on the NASDAQ in the United States that owns, licenses and markets a portfolio of consumer brands worldwide, particularly in the United States
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual or a company which is not a connected person (as defined in the Listing Rules) of the Company
"International Offer Shares"	the 109,421,000 H Shares being initially offered by our Company for subscription pursuant to the International Offering, subject to adjustment and the Over-allotment Option as described in "Structure of the Global Offering"
"International Offering"	the offer of the International Offer Shares (a) outside the United States in offshore transactions in reliance on Regulations S and (b) in the United States to QIBs in compliance with the exemption from registration provided by Rule 144A or another applicable exemption from registration under the U.S. Securities Act, for subscription or purchase (as the case may be) at the Offer Price, in each case on the terms and subject to the conditions of the International Purchase Agreement, as further described in "Structure of the Global Offering – The International Offering"
"International Purchase Agreement"	the international purchase agreement relating to the International Offering to be entered into by, among others, the Company, the Joint Global Coordinators and the International Purchasers on or around the Price Determination Date, as further described in "Underwriting – Underwriting Arrangements and Expenses – International Offering – International Purchase Agreement"
"International Purchasers"	the underwriters named in the International Purchase Agreement
"Joint Global Coordinators"	CICC and CLSA Limited
"Latest Practicable Date"	14 September 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication

"LC Fund IV"	LC Fund IV, L.P., a limited partnership established in the Cayman Islands on 5 March 2008, which controls one of our substantial shareholders, Good Factor
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about 9 October 2014, on which the H Shares become listed on the Stock Exchange and from which dealings in the H Shares are permitted to commence on the Stock Exchange
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Committee and other PRC government departments on 27 August 1994, as amended, supplemented or otherwise modified from time to time
"Marc Ecko China"	a limited liability company to be established in the PRC under the proposed name of Marc Ecko China Limited (上海馬克艾寇服飾有限公司) pursuant to the terms of the Sino-foreign joint venture agreement entered into between the Company and ICL-Marc Ecko on 22 July 2014
"Ministry of Commerce"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ministry of Finance"	Ministry of Finance of the PRC (中華人民共和國財政部)
"Mr. Xing Jiaxing"	Mr. Xing Jiaxing (邢加興), our founder, Chairman, Chief Executive Officer and an executive Director
"Nanjing Jinlu"	Nanjing Jinlu Garment Co., Ltd. (南京金露服裝有限公司), a limited liability company incorporated in the PRC on 31 December 1993 and, currently, an Independent Third Party
"National Bureau of Statistics"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"O2O"	online-to-offline and offline-to-online
"Offer Price"	the final offer price per H Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK$18.20 and expected to be not less than HK$13.98, such price to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Other Cities"	for the purpose of this prospectus only, means cities at prefecture-level, excluding Tier I Cities, Tier II Cities and Tier III Cities
"Over-allotment Option"	the option expected to be granted by our Company under the International Purchase Agreement to the Joint Global Coordinators and the International Purchasers, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Purchasers), pursuant to which the Company may be required to sell up to 15% of the total number of Offer Shares available under the Global Offering to, among others, cover over-allocations in the International Offering, if any, as described in "Structure of the Global Offering – Over-allotment and Stabilisation"
"PBOC"	People's Bank of China (中國人民銀行)
"POS"	point of sale
"PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan, unless otherwise specified
"PRC Company Law"	Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Twelfth National People's Congress on 28 December 2013 and effective on 1 March 2014, as amended, supplemented and otherwise modified from time to time
"PRC Competition Law"	the Law of the PRC Against Unfair Competition (中華人民共和國反不正當競爭法)
"PRC Consumer Protection Law"	the Law of the PRC on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法)
"PRC Employment Contract Law"	the Law of the PRC on Employment Contracts (中華人民共和國勞動合同法)

"PRC government" or "State"	the government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
"PRC Product Quality Law"	the Law of the PRC on Product Quality (中華人民共和國產品質量法)
"PRC Securities Law"	the PRC Securities Law adopted by the Standing Committee of the ninth National People's Congress on 29 December 1998 and became effective on 1 July 1999, and was amended on 28 August 2004, 27 October 2005 and 29 June 2013, respectively, as amended, supplemented and modified otherwise from time to time
"Price Determination Date"	the date, expected to be on or about 29 September 2014, and, in any event, not later than 8 October 2014, on which the Offer Price will be determined
"Promoter(s)"	Mr. Xing Jiaxing, Good Factor, Boxin First Phase, Shanghai Hexia, Shanghai Ronggao, Mr. Yu Tiecheng (俞鐵成) and Mr. Zhang Jiangmin (張江敏)
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Qualified Listing"	the listing of the Shares of our Company on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or any other stock exchange as agreed by Beijing Goldman Sachs
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Parties"	our Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in this Global Offering
"RMB" or "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"Same Store Sales"	has the meaning assigned to it in "Financial Information – Explanation of Same Store Sales" as set out on page 154 of this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

"Shanghai Hexia"	Shanghai Hexia Investment Co., Ltd. (上海合夏投資有限公司), a limited liability company incorporated in the PRC on 30 December 2009, which is our Shareholder, and the equity interest of which is owned by Mr. Xing Jiaxing as to 37.86% and by other individuals who include Ms. Zhang Haiyun, Ms. Zhang Ying, Ms. Zhang Danling and Ms. Dong Yan, members of our senior management, Mr. Tang Zhen, one of our Supervisors and other current and former employees of our Group as to the remaining 62.14%
"Shanghai Ronggao"	Shanghai Ronggao Venture Capital Co., Ltd. (上海融高創業投資有限公司), a limited liability company incorporated in the PRC on 3 July 2009, and an Independent Third Party
"Shareholder(s)"	holder(s) of our Shares
"Shares"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, comprising (a) as at the date of this prospectus, Domestic Shares, Foreign Shares (which will be converted into H Shares upon the completion of the Global Offering) and Unlisted Foreign Shares; and (b) upon completion of the Global Offering, Domestic Shares, Unlisted Foreign Shares and H Shares
"SKU"	stock keeping unit, item that is unique because of some characteristic (such as brand, size, color, model) and is stored and accounted for separate from other items
"Sole Sponsor"	CICC
"Special Regulations"	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on 4 August 1994, as amended, supplemented or otherwise modified from time to time
"Stabilising Manager"	CICC, its affiliate(s) or any person acting for it as stabilising manager
"State Administration of Foreign Exchange"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"State Administration of Taxation"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the member(s) of the Supervisory Committee

"Supervisory Committee"	the supervisory committee of our Company established pursuant to the PRC Company Law, as described in "Directors, Supervisors and Senior Management"
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tier I Cities"	for the purpose of this prospectus only, means Shanghai, Beijing, Guangzhou and Shenzhen
"Tier II Cities"	for the purpose of this prospectus only, means Chongqing, Tianjin, Suzhou, Hangzhou, Zhengzhou, Changsha, Urumqi, Ningbo, Chengdu, Lanzhou, Nanjing, Nanning, Nanchang, Xiamen, Hefei, Hohhot, Harbin, Dalian, Taiyuan, Kunming, Wuxi, Qingdao, Xi'an, Changchun, Shijiazhuang, Wuhan, Shenyang, Jinan, Wenzhou, Fuzhou, Guiyang, Foshan, Dongguan and Haikou
"Tier III Cities"	for the purpose of this prospectus only, means Daqing, Zhongshan, Yancheng, Baotou, Taizhou, Pingdingshan, Jilin, Anyang, Jiangmen, Chifeng, Xingtai, Zhoukou, Yichang, Yueyang, Songyuan, Jinhua, Handan, Xinyang, Baoding, Nantong, Nanyang, Xianyang, Weihai, Liuzhou, Quanzhou, Luoyang, Maoming, Tangshan, Xuzhou, Guilin, Zhuzhou, Tai'an, Taizhou, Zhuhai, Changzhou, Changde, Huai'an, Zibo, Liaocheng, Tongliao, Chenzhou, Langfang, Huizhou, Zhanjiang, Huzhou, Jiaozuo, Ordos, Heze, Xinxiang, Yulin, Jiaxing, Zhangzhou, Dezhou, Anshan, Hengyang, Xiangyang, Dongying, Linyi, Yangzhou, Zaozhuang, Cangzhou, Jining, Binzhou, Weifang, Yantai, Shaoxing, Wuhu, Xuchang, Ganzhou, Lianyungang, Zhenjiang, Yinchuan, Lhasa, Xining and Shangqiu
"Tmall"	Tmall.com (天貓商城), a business-to-customer online shopping platform in the PRC
"Track Record Period"	the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014
"Underwriters"	the Hong Kong Underwriters and the International Purchasers
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Purchase Agreement
"Unlisted Foreign Shares"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in a currency other than RMB by persons other than PRC natural persons or entities established under the laws of the PRC and which are not listed on any stock exchange

"U.S." or "United States"	the United States of America, its territories and possessions and all areas subject to its jurisdiction
"U.S. dollars" or "U.S.$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited

In this prospectus, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

The English names of companies incorporated in the PRC are translations of their Chinese names and are included for identification purposes only.

This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation, the discussion of our business strategies and expectation concerning future operations, margins, profitability, liquidity and capital resources, future developments of our industry and the future development of the general economy of our key markets and any statements preceded by, followed by or that include words and expressions such as "expect", "seek", "believe", "plan", "intend", "estimate", "project", "anticipate", "may", "will", "would" and "could" or similar words or statements, as they relate to our Group or our management, are intended to identify forward-looking statements.

These statements are based on many assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflect our current views on future events and are not a guarantee of our future performance. These forward-looking statements include, without limitation, statements relating to:

- execution of our business strategies and expansion plans;
- our dividend policy;
- plan of our future financing;
- growth potential and future development in the clothing market; and
- change of the PRC's macroeconomic and regulatory environment.

Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in this prospectus, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or that of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by the Relevant Parties. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of such information.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in the Shares. No responsibility is accepted by us or by any of the Relevant Parties for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

An investment in our Shares involves various risks. You should consider carefully all the information set out in this prospectus and, in particular, the risks and uncertainties described below before making an investment in the Offer Shares. The occurrence of any of the following events could harm us. If any of these events materialises, the trading price of the H Shares could decline and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS AND THE CLOTHING INDUSTRY

We operate in a highly competitive and fast changing market and increased competition may result in a loss of our market share in the PRC

We compete with a number of domestic and international market participants in the clothing industry in the PRC, particularly the mass-market ladies' casualwear market, and we expect competition in this industry to grow in the future. Some of our competitors, both existing and new, may have greater financial resources, larger scales of production, better brand recognition and/or wider distribution networks than we do. To compete effectively, we must continue to invest significant resources in the on-going development of new products and the improvement of existing products. There can be no assurance that we will have sufficient resources to make these investments or that these investments will improve our market position as compared to our competitors.

In addition, due to the increasing significance of the Chinese market for multinational companies, we expect international competitors to increase their presence in the PRC. Customers will be increasingly exposed to international brands and their existing reputations outside of the PRC. If we are unable to retain and attract customers and compete effectively against our competitors for favourable terms in relation to the location of outlets and production, our business, financial condition, results of operations and market share may be materially and adversely affected.

E-commerce and online shopping have developed significantly in recent years, affecting the shopping patterns of consumers in the PRC. We launched our online flagship store on Tmall in August 2014. Online retail channels are therefore relatively new to our business operations. Some of our competitors had launched online business platforms, either operated by themselves or third parties, before we did. Those of our competitors who are able to successfully sell their products online and effectively manage supply chains and logistics, web hosting infrastructure and after-sale service systems may be better positioned than we are to capture the opportunities presented by this market and consequently increase their customer base and sales.

We may not be able to identify fashion trends and consumer preferences in a timely manner

The clothing market is cyclical and fashion trends and consumer preferences change frequently. The success of our business is largely dependent on our ability to anticipate future fashion trends and consumer preferences in the regions where we operate and to design and market products in a timely manner. Consumer preferences differ across and within different regions in the PRC and among different customer groups, and they are influenced by, among others, changing aesthetics, evolving styles, economic circumstances and the demographic profile of the target customers. If we fail to accurately anticipate fashion and retailing trends and react to prevailing consumer preferences in a timely manner, it could result in lower sales volumes, lower selling prices, obsolete inventory and lower profits, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We cannot guarantee that the launch of each of our new brands will be successful

During the Track Record Period, a majority of our revenue was attributable to the products sold under La Chapelle and La Chapelle Sport, which have the longest history and in our opinion greatest customer loyalty among all of our brands. Revenue attributable to these two brands in aggregate was 96.4%, 88.5%, 73.7%, 77.9% and 67.5% of our revenue in FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, respectively. Since the beginning of 2011, we have launched five new brands, which focus on different customer groups. Please refer to "Business – Our Brands".

We may face challenges relating to, among others, brand positioning and marketing and pricing strategies for our less mature brands. In order to launch and develop a new brand, we have to commit substantial financial and operational resources. A new brand typically requires a period of initial development, during which it requires on-going investment and may negatively affect our overall profitability before it becomes profitable, if at all. We cannot guarantee the success of our new brands or that they will become profitable. In 2008, we launched the La Lumdi brand. However, we discontinued this brand in 2010 because the sales under this brand had not met our expectations. During the Track Record Period, the revenue from our newer brands increased, but those brands remain in the initial stages of development and will require substantial investment in the near future. If development of our newer brands is not successful, we may not be able to realise the same levels of returns that we expected, or any at all. In this case, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our retail network expansion plans may not be successful

We experienced significant growth in our revenue and operating profits during the Track Record Period, which was largely attributable to the expansion of our self-operated retail network in the PRC and the increase in our Same Store Sales from FY2011 to FY2013. We plan to increase the number of our retail points by approximately 1,200 in the six months ending 31 December 2014 and by approximately 1,500 in each of 2015 and 2016, which may be adjusted from time to time due to changes in our future financial conditions and market conditions. Although we believe that there are opportunities for our growth through on-going expansion of our retail network, our profitability and growth rate may be adversely affected if we are not able to effectively implement our expansion plans in a timely manner.

The success of our retail network expansion plans depends on a number of factors. We need to find suitable locations and hire competent employees for our new retail points, and we need to provide on-going training to our employees to enhance their sales and marketing skills. We need to develop a customer base in the markets where we open new retail points while we continue to maintain sales in our existing retail points. The implementation of these plans is subject to many market uncertainties which may be out of our control. In addition, opening a large number of additional retail points will significantly increase our inventories and may cause constraints on our cash flow. There are substantial expenditures associated with opening new retail points that we expect to incur as a result of our direct sales model, such as concessionaire fees, rental expenses, sales staff costs and expenses for decorating our new retail points. Capitalised expenses relating to decorating our retail points will have an impact on our results of operations beyond the period in which they are incurred. Given these expenditures and the fact that there is generally less market recognition and customer loyalty associated with new retail points as compared to our more established retail points, there is usually an initial development period that is required before our new retail points are able to achieve profitability, if at all. During this period, it may take longer sales periods for these retail points to sell inventories which may in turn cause an increase in our provisions for inventories. If we are not able to effectively implement our expansion plans, we may not obtain a positive return on our investment and our business, financial condition, results of operations and prospects may be materially and adversely affected.

The growth of our revenue, profit and Same Store Sales decreased in FY2013 compared to previous years and, in recent periods, we had decreases in our Same Store Sales. We may experience further fluctuations or declines in the growth of our revenue, profit or Same Store Sales, or decreases in Same Store Sales, in future periods

During the Track Record Period, our business expanded significantly with fluctuations in our revenue, profit and Same Store Sales. Our revenue increased by 107.7% from RMB1,864.2 million in FY2011 to RMB3,872.1 million in FY2012, and further increased by 60.8% to RMB6,225.1 million in FY2013. Our revenue increased by 25.4% from RMB2,799.9 million in 1HFY2013 to RMB3,510.8 million in 1HFY2014. Our net profit for the year increased by 111.1% from RMB123.0 million in FY2011 to RMB259.6 million in FY2012, and further increased by 59.3% to RMB413.4 million in FY2013. Our net profit increased by 36.4% from RMB169.0 million in 1HFY2013 to RMB230.6 million in 1HFY2014. Our Same Store Sales increased by 41.6% in FY2012 in comparison with FY2011, and by 6.6% in FY2013 in comparison with FY2012. In 1HFY2013, our Same Store Sales increased by 25.1% in comparison with the same period in 2012. However, in 2HFY2013, our Same Store Sales decreased by 3.6% compared to our Same Store Sales in the same period in 2012 and, in 1HFY2014, our Same Store Sales decreased by 3.4% compared to our Same Store Sales in 1HFY2013. The downward trend of our Same Store Sales may continue. A slowdown in the PRC economy has had a negative impact on domestic consumption in the PRC, which has in turn had an adverse impact on our Same Store Sales in recent periods. In addition, relatively warm winter months at the end of 2013 adversely impacted sales of our winter outfits, which typically have higher average selling prices than our spring and summer outfits, towards the end of FY2013 and at the beginning of 1HFY2014. Please refer to "Financial Information – Explanation of Same Store Sales".

Our results of operations have been, and may continue to be, directly and indirectly affected by a number of factors, including the development and the competitive landscape of the clothing industry in the PRC, the economic conditions in the PRC, PRC government policies, our expansion plans and our multi-brand strategy. Some of these factors are beyond our control and may continue to cause fluctuations in our results of operations. There can be no assurance that our historical growth rates will be sustainable or that we will not experience fluctuations or declines in the growth of our revenue, profit or Same Store Sales, or further decreases in Same Store Sales, in the future.

We have a high level of inventories and any material change in demand for our products may have a direct impact on our financial condition and results of operations

As we directly operate 100% of our retail points, we need to maintain sufficient inventories to support the sales growth resulting from the expansion of our retail network. The nature of our business requires us to have stocks of products in different designs, colours and sizes for display to satisfy demand from customers at our retail points. Therefore, we have relatively a high level of inventories in comparison with competitors who rely on wholesale distribution or franchise models. As at 31 December 2011, 2012 and 2013 and 30 June 2014, our inventories amounted to RMB398.1 million, RMB826.9 million, RMB1,292.9 million and RMB1,211.0 million, respectively, representing 36.0%, 35.1%, 33.2% and 32.5%, respectively, of our total assets as at each of those dates. Our inventories significantly increased during the Track Record Period primarily due to the expansion of our retail network and launch of new brands. The increase in our inventories as at 31 December 2013 compared to 31 December 2012 also resulted from relatively warm winter months at the end of 2013, which adversely impacted sales of our winter outfits towards the end of FY2013 and at the beginning of 1HFY2014.

An increase in inventories, without comparable sales, increases the pressure on our cash flow. In addition, aging of our inventories requires us to increase provisions for our inventories, which may adversely affect our results of operations. Our provisions for inventories significantly increased from RMB8.4 million in FY2011 to RMB36.0 million in FY2012 and RMB92.1 million in FY2013. This was largely attributable to an increase in our inventories as we opened more retail points as well as the aging of our inventories. Our provisions for inventories increased from RMB50.8 million in 1HFY2013 to RMB59.5 million in 1HFY2014. As we expect to open more retail points in the future, our financial condition and results of operation will continue to be affected by high levels of inventories.

In addition, we remain vulnerable to the frequently changing trends and consumer preferences associated with the fashion industry. Any unexpected change in demand for our products may result in our having out-of-stock or over-stocked items, which will have a direct impact on our sales and pricing plans. Increased inventories may adversely affect our pricing strategies, increase write-downs and write-offs and result in strains on our cash flow, and consequently our business, financial condition and results of operations may be materially and adversely affected.

A majority of our revenue has been generated from sales under La Chapelle and La Chapelle Sport and any negative performance of these brands could adversely affect our business

In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, revenue from sales of products under La Chapelle and La Chapelle Sport collectively constituted 96.4%, 88.5%, 73.7%, 77.9% and 67.5%, respectively, of our total revenue. La Chapelle and La Chapelle Sport were launched in 2001 and 2003, respectively. Although we have launched five new brands since the beginning of 2011, we expect that a majority of our revenue will continue to be generated from our sales under La Chapelle and La Chapelle Sport in future periods. Negative publicity about these two brands, or changes in market perception or customer preferences about these two brands could materially and adversely affect the sales under these brands. In addition, the growth momentum of these brands may slow down and their growth potential may decrease over time. In this case, our future development may be adversely affected which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our rapid growth will require substantial cash and we may from time to time experience strains on our liquidity

Our business grew significantly during the Track Record Period in large part as a result of rapid expansion of our retail network. As we directly operate 100% of the retail points within our sales network, we require substantial cash to fund the opening of our new retail points and to maintain sufficient stocks of products to support our sales, which may from time to time cause strains on our cash flow. We may experience negative operating cash outflow due to increases in our inventories and our payments to third party manufacturers as a result of the rapid expansion of our sales network and business. We intend to open more retail points to penetrate different markets in the PRC while improving the performance of our existing retail points. We expect that we may incur substantial capital expenditure in near future primarily related to the expansion of our retail network and development of warehousing and logistics infrastructure. If we fail to manage and control our cash flow effectively, we may experience increasing pressure on our liquidity, which could have a material adverse impact on our business, financial condition, results of operations and prospects.

A majority of our retail points is in the form of concessionaire counters located within department stores subject to the terms of concessionaire agreements, and we may not be able to renew concessionaire agreements on the same or more favourable terms

As at 30 June 2014, 4,129 out of 5,671 of our retail points were in the form of concessionaire counters located within department stores. Revenue from sales through concessionaire counters accounted for 85.0%, 79.6%, 73.9%, 74.7% and 71.2% of our total revenue in FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, respectively. We enter into concessionaire agreements with department stores pursuant to which the department store receives a concessionaire fee, which is typically a commission based on a percentage of our sales at that store. The majority of our concessionaire agreements has a term of one to four years. A department store may require an increase in the concessionaire fees charged to us in response to our request to renew the concessionaire agreement or allocate a prime position within the department store to us, or may assign us to a less desirable area of the department store when we seek to renew our agreements with them. Department stores may experience increases in rental expenses or other expenses, which they may seek to pass on to us by increasing concessionaire fees. Some of our concessionaire agreements provide for a minimum guaranteed concessionaire fee or a right for the department stores to terminate the concessionaire agreements if our concessionaire counters fail to meet the sales targets stipulated in the concessionaire agreements. We cannot guarantee that we will be able to renew our concessionaire agreements on the same terms or on terms that are more favourable to us, in a timely manner or at all, or that certain of our concessionaire agreements will not be terminated. If any of these situations happens, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We rely on third parties for production of our products and their non-performance or poor performance could affect our operations and financial results

Our production is entirely outsourced to third party manufacturers who produce products that must meet the quality expected of our brands and reputation. In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, cost of inventories, comprising primarily the cost charged by the manufacturers for finished goods, accounted for 95.5%, 94.3%, 92.9%, 91.6% and 91.3%, respectively, of our total cost of sales. The performance of the manufacturers may be affected by a number of factors, such as equipment failures, labour disputes, disruptions in the supplies of raw materials, financial difficulties and adverse weather conditions that interrupt their operations. Any unexpected increase in the demand for our products may increase purchases from our manufacturers. If these manufacturers fail to produce the products with the level of quality and volume as we expect, or fail to make delivery in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

Prices and other detailed terms of each purchase are normally determined when we place an order pursuant to the binding master agreement we enter into with the related manufacturer, which typically has a term of one year. If the manufacturers with whom we contract experience increased costs for, among others, raw materials or labour, they may seek to transfer these increases to us by increasing their prices. This may result in an increase in our retail prices, which may negatively affect our competitiveness in terms of pricing. In addition, a large portion of our trade and bill payables during the Track Record Period was due to our manufacturers. The credit term for our purchase of finished goods from our third party manufacturers is typically approximately 90 days after the finished goods are accepted by us. If our manufacturers shorten the credit term for our payables, pressure on our cash flow may increase. There can be no assurance that our manufacturers will continue to work with us based on the same terms or at all when the master agreements expire. We cannot assure you that the manufacturers will not accept orders from other companies, including our competitors. If any of our key manufacturers discontinues its working relationship with us and we fail to find a suitable replacement on a timely basis, our business, financial condition, results of operations and prospects may be materially and adversely affected.

An increase in the level of rents will increase our operating expenses and may adversely affect our operations and profitability

We operate our standalone retail outlets on the retail spaces we lease from major shopping malls or other individual lessors and we also use leased properties for our offices and warehouses. Therefore, our business is to a certain extent affected by the fluctuation of our rents. In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, rental expenses related to our retail points and warehouses amounted to RMB97.7 million, RMB227.9 million, RMB420.0 million, RMB190.3 million and RMB229.0 million, respectively, representing approximately 5.2%, 5.9%, 6.7%, 6.8% and 6.5%, respectively, of our revenue for the corresponding years and periods. In recent years, property prices and levels of rents in the PRC have substantially increased and we expect they will continue to increase in the near future. The increase in the level of rents may increase our operating expenses when we open new retail points or when we renew the leases relating to our existing retail points. The durations of our existing lease agreements typically range from two to six years. We cannot assure you that shopping malls and other third-party lessors will not increase the rents charged to us when we seek to renew our leases or to request for better locations for our retail points, or that we will be able to renew the leases on the same terms or on terms that are more favourable to us or at all. Any material increase in the level of our rents may have a material adverse impact on our business, financial condition, results of operations and prospects.

If we are not able to identify and secure suitable locations for new retail points on commercially acceptable terms, if at all, our expansion and growth prospects may be adversely affected

Our performance and expansion plans depend, to a significant extent, on the location of our new retail points. We generally seek to locate our retail points within well-known department stores and major shopping malls or on streets with visibility and customer traffic to increase exposure for our brands, access high volumes of our target customers and leverage on the marketing campaigns and promotional activities of the department stores and malls. Going forward, as we increase the number of our retail points, we will need to secure more retail locations through leases or ownership, as determined on a case-by-case basis. The supply of prime locations for new retail points is scarce, and the competition to secure these locations is intense. We cannot assure you that we will be able to identify and secure prime locations in the future, particularly as we compete with other market participants who may have greater market recognition and financial resources than we do. Any failure to identify and lease or acquire suitable locations for our new retail points may have a material adverse effect on our business and expansion plans.

Some of our leased properties have defective titles and we may be required to cease occupation and use of such leased properties if there is a valid claim for them

As at 30 June 2014, we leased 734 properties with a total gross floor area of approximately 454,452 square metres for office, warehousing and commercial uses in the PRC. As at 30 June 2014:

- lessors of 455 leased properties with a total gross floor area of approximately 254,789 square metres (representing approximately 56.1% of the total gross floor areas our Group leased as at the same date) had received the property ownership certificates or the construction completion acceptance receipts with respective to their properties;

- lessors of 277 leased properties with a total gross floor area of approximately 198,146 square metres (representing approximately 43.6% of the total gross floor areas our Group leased as at the same date) had received some or all of the construction project planning certificates, the construction project commencement certificates, the construction land planning certificates and the land use rights certificates with respect to their properties, but not the property ownership certificates or the construction completion acceptance receipts;

- lessors of 2 leased properties (representing approximately 0.3% of the total gross floor areas our Group leased as at the same date) had not provided any evidence of their rights to lease the properties; and

- sublessors of 14 leased properties (representing approximately 1.8% of the total gross floor areas our Group leased as at the same date) had not provided any evidence of their rights to sub-lease the properties.

In FY2011, FY2012, FY2013 and 1HFY2014, revenue attributable to our retail points that were operated on the properties for which lessors had not obtained property ownership certificates or failed to provide property ownership certificates or evidence of rights of sublease as at 30 June 2014 was RMB38.0 million, RMB195.6 million, RMB552.7 million and RMB380.2 million respectively, representing 2.0%, 5.1%, 8.9% and 10.8%, respectively, of our total revenue for the corresponding years or periods.

In addition, as at 30 June 2014, 425 of our leased properties (representing approximately 50.8% of the total gross floor areas our Group leased as at the same date) were mortgaged when we entered into the lease agreements relating to those properties. As at 30 June 2014, four of our retail points with a total gross floor area of 1,852 square metres were located in shopping malls that were developed on collectively owned construction land.

The lease agreements relating to the leased properties with defective titles may be unenforceable under PRC law and our rights to occupy and use the mortgaged properties are subordinated to the rights of the mortgagees relating to the relevant properties. We may be required to cease occupation and use of such leased properties if there is a valid claim for the properties. We may claim compensation or indemnification from the lessors under some of our lease agreements, but legal proceedings may consume substantial managerial and financial resources and there can be no assurance that we would be able to receive sufficient compensation or indemnification to cover our losses and damages.

Some of our lease agreements have not been filed with the relevant PRC authorities and we might be subject to administrative fines

As at 30 June 2014, we had not completed the administrative filings of the lease agreements relating to 734 properties we leased from Independent Third Parties. These properties had an aggregate floor area of approximately 454,452 square metres. According to applicable PRC administrative regulations, the lessor and the lessee of a lease agreement are required to file the lease agreement with relevant governmental authorities within 30 days after the execution of the lease agreement. If the filing is not made, the governmental authorities may require that the filing be made within a stated period of time, failing which, they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed. It is not clear under PRC law if the fine will be borne by the lessor or lessee.

According to applicable PRC administrative regulations, lessors of the related leases need to provide us with certain documents (such as their business licenses or identification information) in order to complete the administrative filing. There can be no assurance that the lessors of our leased properties will be cooperative in the process of completing the filing. If we fail to complete the administrative filings within a period required by the relevant governmental authorities and relevant authorities determine that we shall be liable for failing to complete the administrative filings of all the relevant lease agreements, we might be subject to total fines of up to RMB7.34 million.

We depend on the proper performance of our information technology systems and any serious interruption of these systems could materially affect our operations

Our enterprise resources planning (ERP) systems, which primarily consist of the SAP ERP system, Peoplesoft, Business Information Warehouse and Business Intelligence (BW/BI) System, POS system and other modules, are critical to our day-to-day operations. These systems consolidate and provide critical operational data, particularly those relating to our sales and inventory movements, from each of our retail points to our headquarters for subsequent analysis. As an important step in the implementation of our O2O strategy, we are also in the process of rolling out an Order Management System (OMS) to coordinate and allocate orders from online retail channels and retail points. Our systems are vulnerable to damage or interruption from human error, natural disasters, power loss, computer viruses, intentional acts of vandalism and similar events. Although we have back-up systems in place, any disruption to our systems or failure of our back-up systems, and in particular a prolonged period of disruption, will affect the rate at which base operational data is synchronised with our central integrated system. Any delay may cause a strain on our procurement, inventory control, logistics, sales and overall finance controlling processes. Increasing business complexity of our operations due to our expansion plans (including the implementation of our O2O strategy) may place additional requirements on our systems. Any serious interruption or breakdown of our systems may have a material adverse effect on our business, financial condition and results of operations.

Our financial condition and results of operations are subject to seasonal fluctuations

Our financial condition and results of operations are subject to seasonal fluctuations due to various factors. We typically carry out more sales and marketing activities in the second half of the year to capture additional sales opportunities presented by various public holidays at that time of the year, such as the PRC's National Day, Christmas and New Year. We believe that these public holidays encourage consumer spending. If we fail to capture the sales opportunities arising from these public holidays, our overall performance could be adversely affected. For the same reason, we need to increase our stock to satisfy our increased sales demand at the end of a financial year and around those public holidays, which exposes us to higher levels of inventories. In addition, our autumn and winter outfits typically have higher average selling prices than our spring and summer outfits as the materials for producing our autumn and winter outfits are comparatively more costly.

Our business is also vulnerable to unexpected climate change. For example, our sales of winter outfits may decrease if there is an exceptionally warm winter. If we experience volatility in our revenue, it could negatively impact our results of operations. Our inventories significantly increased as at 31 December 2013 compared to 31 December 2012, in part due to relatively warm winter months at the end of 2013, which adversely impacted sales of our winter outfits towards the end of FY2013. Further, due to such fluctuations, comparisons of our results of operations between periods within a year may not be reliable indicators of our performance.

Increasing labour costs may adversely affect our profitability and have an adverse impact on our results of operations

We directly control and operate 100% of our retail points, which are staffed with our own employees. As we have increased the number of our employees to support our growing business, our labour costs have increased. In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, the total amount of our employee benefit expenses was RMB334.4 million, RMB763.2 million, RMB1,284.4 million, RMB605.3 million and RMB780.0 million, respectively, representing approximately 17.9%, 19.7%, 20.6%, 21.6% and 22.2%, respectively, of our revenue for the corresponding years and periods. The increase in our employee benefit expenses has also been due to an increase in the base salaries of our employees during the Track Record Period. In recent years, increasing awareness of labour protection and related legislation have caused many companies, including us, to increase the minimum salaries and wages of their employees in different cities and regions in the PRC. In order to maintain the competitiveness of our product prices, we may not be able to transfer all the increases in labour costs to our customers. As a result, increasing employee benefit expenses may increase our operating expenses, reduce our profitability and adversely affect our business, financial condition and results of operations.

We may be exposed to product liability claims and any serious product liability claims against us may adversely affect our reputation and business

There have recently been media reports that many apparel companies in the PRC, including certain international brands, were found to use raw materials that did not meet national quality standards and could irritate skin or even result in inflammation. Under applicable PRC law, we may be liable for product defects or quality issues despite the fact that our products are manufactured by third parties. We believe that the risk of potential product liability claims against us may increase as consumer protection laws develop and the concept of product liability begins to develop and mature among consumers in the PRC. We outsource all of our production to third party manufacturers. Our manufacturers are responsible for procuring raw materials under most of our outsourced production arrangements. We may not have sufficient control over the quality of our products, and there can be no assurance that there will not be a successful product liability claim against us. We may be able to receive indemnification from the manufacturers based on our outsourced production agreements, but there can be no assurance that such indemnification can fully protect us from any losses or damages. We may incur significant costs and expenses and be required to devote substantial financial and managerial resources to defend against product liability claims or reach settlements, and we may be fined or sanctioned, which could materially and adversely affect our reputation and business.

We may be unable to obtain sufficient funding on terms acceptable to us, or at all

During the Track Record Period, we financed our working capital needs primarily through cash generated from our operating activities and shareholders' capital contributions. As we have expanded our business, our demand for external capital, including bank borrowings, has increased. As at 31 December 2011, 2012, 2013 and 30 June 2014, we had total outstanding bank borrowings of RMB106.0 million, RMB425.0 million, RMB780.0 million and RMB1,017.6 million, respectively. In 1HFY2014, we pledged our warehousing and logistics centre in Taicang to secure a long-term bank borrowing with a total principal amount of RMB66.0 million. As at 30 June 2014, the outstanding amount of such secured bank borrowing was RMB40.0 million, representing approximately 3.9% of our total outstanding bank borrowings.

The future expansion of our retail network and business may require us to incur additional borrowings and diversify sources of funding. We may also be required to pledge our assets to secure additional borrowings. Whether we are able to raise additional capital at costs acceptable to us depends on the financial success of our current business and the successful implementation of our key strategic initiatives. This may be affected by various financial, economic and market conditions and other factors, some of which are beyond our control. If we are unable to obtain sufficient banking facilities on acceptable terms to meet our operational and expansion demands, this may cause strains on our cash flow and our ability to successfully implement our expansion plans. Further, pledging our assets to secure bank borrowings may limit our freedom to dispose of the relevant assets or to utilise the proceeds from disposing of them. Upon the occurrence of an event of default under any such secured borrowing, the lender may also take possession of, and sell, the assets pledged by us. Accordingly, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our insurance policies may be insufficient to cover potential losses arising as a result of business interruption, damage to our property or third-party liabilities

We maintain insurance covering third-party liabilities as well as all risks insurance against losses and damages to property (such as inventories, raw materials, furniture and office equipment) at certain of our retail points, warehouses and offices. We do not maintain insurance for all of our assets or against losses at all of our properties, and we do not have insurance to cover product liabilities with respect to our apparel products, or losses as a result of business interruptions or defaults by third parties. There can be no assurance that our insurance policies will be sufficient to cover all losses or liabilities. If our insurance policies are insufficient to cover our losses or liabilities, this may have a material adverse effect on our business, financial condition and results of operations.

Any loss of our senior management and our failure to attract and retain qualified personnel could affect our operations and growth prospects

Our senior management team plays a critical role in our business and in particular Mr. Xing Jiaxing, our founder, Chairman, chief executive officer and an executive Director. Our success and future development depend, in large part, on their vision and leadership. We also rely on other employees for the service that they provide to our customers from design to marketing of a product. Our employees are provided with training to educate them on our corporate culture and better enable them to perform in their areas of responsibility, and we may not be able to replace them with new personnel with similar qualifications and experience within a short period of time. A loss of a member of key management, a significant number of our existing employees or the inability to attract replacements with the requisite qualifications may have a material adverse effect on our business, financial condition, results of operations and prospects.

The sale of counterfeit products by third parties may harm our reputation and lead to reduced consumer confidence and loss of sales

Our trade names and trademarks are vital to our success and future development. We have registered all of our trademarks in the PRC except Pote. We submitted the registration application relating to the Pote trademark on 1 February 2013, and the final registration certificate was pending from the relevant PRC authorities as at the Latest Practicable Date in the PRC. However, the protection of intellectual property rights under PRC laws has historically been insufficient as a result of ineffective implementation and enforcement and inconsistent interpretation. There can be no assurance that we will receive effective protection if our trademarks or other intellectual property rights are infringed by third parties.

We are susceptible to the sale of counterfeit products in similar designs or using similar trademarks or trade names by third parties. The sale of such counterfeit products, which are inferior in design and quality, may harm our reputation and brand image and may lead to reduced consumer confidence and loss of sales. Historically, we were occasionally aware of small quantities of counterfeit products sold under our brands in the PRC or through online platforms. Legal proceedings against such infringement of our trademarks or other intellectual property rights may be time consuming and we may be required to devote substantial time and resources to achieve a favourable outcome. If we fail to timely identify illicit use of our trade names and trademarks or if we are unsuccessful in legal proceedings against any infringements of our intellectual property rights, it could damage the reputation of our brands and products and have a material adverse effect on our business, financial condition, results of operations and prospects.

Our existing loan agreements contain covenants that may restrict our operating activities and a failure to comply with any material covenant may adversely affect our business and financial performance

During the Track Record Period, we relied partially on credit facilities offered by PRC commercial banks to satisfy our cash requirements. The agreements relating to our outstanding borrowings typically contain covenants that restrict the Company or our borrowing subsidiaries from engaging in major corporate transactions, such as incurrence of significant indebtedness, mergers and consolidations, disposal of substantial assets, reorganisation or restructurings without prior consent of or notification to the lenders. If we violate any of those material covenants, the affected lenders may be entitled to immediately suspend our drawdown of any unutilised credit facility and demand immediate repayment of all the outstanding amounts. Some loan agreements contain cross acceleration provisions, which give the lenders under such agreements the right to demand our immediate repayment of outstanding amounts if we are required to repay other loans prior to their expiration.

We may be susceptible to claims of infringement of intellectual property rights

Fashion designs often follow predominant trends, and the designs of final products may be similar to the designs of other designers and brands. In addition, third parties may register or use our brand names, or similar names, in the markets that we have yet, but intend, to enter. We cannot guarantee that allegations of an infringement of intellectual property rights will not be brought against us, and if we are required to defend against such allegations, we may be required to devote substantial time and resources to it. If we are not successful in defending against such allegations, it could have a material adverse effect on our reputation, business, financial condition and results of operations.

Our business operations may be affected by risks related to logistics support provided by third parties

We rely on third parties for logistics support at various stages leading up to the launch of a product, mainly comprising transportation of products from manufacturers to our warehouses and distribution of our products from the warehouses to our various retail points and among our different outlets. Delivery disruptions of logistics companies may occur for various reasons beyond our control, including transportation bottlenecks, labour strikes or adverse weather conditions, and could lead to delayed or lost deliveries. In addition, we may suffer losses or damages of products as a result of theft or poor handling by logistics companies. Underperformance of the third parties that provide us with logistics support could result in our inability to meet customer demands and expectations and have a material adverse effect on our reputation, business, financial condition and results of operations.

We are exposed to the credit risk of the department stores where our concessionaire counters are located

Pursuant to our concessionaire agreements, department stores typically collect cash from the sales of our products on behalf of our concessionaire counters. We generally offer credit terms of up to 90 days to the department stores to transfer that cash to us. We recognise cash from the sales of our products as trade receivables until we receive the cash from the department stores and so we are, to a certain extent, affected by the financial health of the department stores from which we have outstanding receivables. If the department stores are not able to transfer the cash from the sales of our products to us in a timely manner, or at all, our business, financial condition and results of operations may be materially and adversely affected.

One of our Controlling Shareholders, Mr. Xing Jiaxing may have significant influence in determining the outcome of major corporate transactions that require our Shareholders' approval

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, Mr. Xing Jiaxing, one of our Controlling Shareholders, will directly hold approximately 29.17% of our issued share capital and is entitled to control the exercise of the voting rights in respect of an additional 9.30% of our issued share capital currently held by Shanghai Hexia. Subject to our Articles of Association and applicable laws and regulations, Mr. Xing Jiaxing will continue to have the ability to exercise a controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approval. These actions may be taken even if they are opposed by our other Shareholders, including those who purchase the Offer Shares in the Global Offering.

RISKS RELATED TO THE PRC

We may be affected by changes in the political, social or economic conditions in the PRC

Our business, financial condition, results of operations and prospects are subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of many developed countries in many respects, including but not limited to, structure, level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures to emphasise the utilisation of market forces in economic development. The PRC's political and social conditions may also affect the implementation of the economic reform by the PRC government. We cannot predict whether changes in the PRC's political, economic and social conditions, as well as its laws, regulations and policies, will have any material adverse effect on our current or future business, financial condition and results of operations.

A decline in consumer demand in the PRC could adversely affect our revenue and profitability

We derive all of our revenue from sales of our products in the PRC. Consumer demand in the PRC depends upon a range of factors outside of our control, including demographic factors, consumer preferences and discretionary consumer spending (which is in turn influenced by factors such as general economic conditions, the availability of disposable income and general levels of consumer confidence). A decline in consumer demand in the PRC could substantially reduce our revenue and profitability and may consequently have a material adverse effect on our business, financial condition and results of operations.

There can be no assurance that projected growth rates of the PRC economy will be realised or that there will not be any future deterioration of economic conditions in the PRC. In the event that our competitors react to any declines in consumer confidence by reducing retail prices, our ability to maintain our market share may be adversely impacted, and we may have to intensify our marketing efforts in order to compete effectively. If we are required to do more aggressive promotions or reduce our prices to respond to price competition, it may have a material adverse effect on our business, financial condition and results of operations.

Our business may be materially disrupted by the occurrence of an epidemic or a natural disaster

In recent years, several catastrophic natural disasters in the PRC caused severe personal injuries and significant economic losses. The outbreak of highly contagious diseases, such as avian influenza (H5N1 and H7N9) and Severe Acute Respiratory Syndrome (SARS), in the PRC also had a material adverse impact on the economy and business activities in the PRC. The occurrence of any natural disasters, epidemics or other acts of God, such as severe earthquakes or widespread floods, is out of our control and may materially disrupt our business and adversely affect our financial condition and results of operations.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you

We are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Since 1979, the PRC government has enacted laws, rules and regulations dealing with economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation and trade. Many of these laws, rules and regulations, however, are relatively new, and interpretation and enforcement of these laws, rules and regulations by government authorities may be ambiguous and inconsistent among different regions and cities. While prior court decisions relating to these laws, rules and regulations may be cited for reference in the PRC courts, previous case law is non-binding in nature.

Our Articles of Association provide that disputes between holders of H Shares and us, or our Directors, Supervisors or senior officers, arising out of our Articles of Association or any rights or obligations conferred or imposed upon us by the PRC Company Law and related rules and regulations concerning our affairs, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre in accordance with its applicable rules. Awards that are made by the PRC arbitral authorities are recognised under the Arbitration Ordinance (Chapter 609 of the Laws of Hong Kong) and can be enforced in Hong Kong. Hong Kong arbitration awards may be recognised and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H shares to enforce an arbitral award and no assurance can be given as to the outcome of any action brought in the PRC by any holder of H shares to enforce a Hong Kong arbitral award made in favour of holders of H shares. Moreover, to our knowledge, there has not been any published report of judicial enforcement in the PRC by holders of H shares of their rights under the articles of association of any PRC issuer or the PRC Company Law.

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

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management

We are a company incorporated under the laws of the PRC and all of our assets and our subsidiaries are located in the PRC. In addition, most of our Directors, Supervisors and executive officers reside within the PRC and the assets of our Directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process elsewhere outside the PRC upon most of our Directors, Supervisors and executive officers. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible. In addition, although we will be subject to the Listing Rules and the Takeovers Code upon the listing of our H Shares on the Stock Exchange, the holders of our H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules.

You may be subject to PRC taxation

Under the applicable PRC tax laws, the dividends we pay to non-PRC resident individual holders of H shares ("non-resident individual holders"), and gains realised through the sale or transfer by other means of H shares by such shareholders, are both subject to PRC individual income tax at a rate of 20%, unless reduced by the applicable tax treaties or arrangements.

Under applicable PRC tax laws, the dividends we pay to, and gains realised through the sale or transfer by other means of H shares by, non-PRC resident enterprise holders of H shares ("non-resident enterprise holders") are both subject to PRC enterprise income tax at a rate of 10%, unless reduced by applicable tax treaties or arrangements. Pursuant to the Arrangements between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) dated 21 August 2006, any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay Enterprise Income Tax for the dividends declared and paid by us at a tax rate of 5%.

Pursuant to the Circular on Questions Concerning Tax on the Profits Earned by Foreign Invested Enterprises, Foreign Enterprises and Individual Foreigners from the Transfer of Shares (Equity Interests) and on Dividend Income (關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知) issued by the State Administration of Taxation, non-resident individual holders were temporarily exempted from PRC individual income tax for the dividends or bonuses paid by issuers of H shares. However, such circular was repealed by the Announcement on the List of Fully or Partially Invalid and Repealed Tax Regulatory Documents (關於公布全文失效廢止、部分條款失效廢止的稅收規範性文件目錄的公告) dated 4 January 2011.

With respect to non-resident individual holders, their gains realised through the transfer of properties are normally subject to PRC individual income tax at a rate of 20%. However, according to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Individual Income Tax Policies (財政部、國家稅務總局關於個人所得稅若干政策問題的通知), the income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise is exempt from individual income tax for the time being. According to the Circular of the Ministry of Finance and the State Administration of Taxation Regarding the Continued Temporary Exemption of Individual Income Taxes Levied on Incomes Obtained from the Transfer of Shares (財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) effective as of 30 March 1998, incomes from individuals' transfer of stocks of listed companies continued to be temporarily exempted from individual income tax. On 3 February 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知). On the same day, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (國務院辦公廳關於深化收入分配制度改革重點工作分工的通知). According to these two documents, the PRC government is planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the Ministry of Finance and the State Administration of Taxation should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the Ministry of Finance and the State Administration of Taxation.

Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obliged to pay PRC income tax on the dividends and gains realised through sales or transfers of the H Shares. Please refer to Appendix III – "Taxation and Foreign Exchange".

Government control of currency conversion may adversely affect the value of your investments

All of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is not a freely convertible currency. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our H Shares. Under PRC's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to carry out foreign exchange transactions through our current account, including paying dividends in foreign currencies without prior approval from the State Administration of Foreign Exchange by complying with various procedural requirements. Fluctuations in exchange rates may result in foreign currency exchange losses.

There can, however, be no assurance that the PRC government will not restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. In addition, foreign exchange transactions under a capital account in the PRC are not freely convertible and such transactions require the prior approval of the State Administration of Foreign Exchange. These limitations could affect our ability to obtain foreign currencies through equity financing or to obtain foreign currencies for capital expenditures.

RISKS RELATED TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares; the liquidity and market price of our H Shares may be volatile, and the Offer Price may not be indicative of prices that will prevail in the trading market

Prior to the Global Offering, there has been no public market for our H Shares. The initial offer price range to the public for the H Shares was the result of negotiations between us and the Joint Global Coordinators for themselves and on behalf of the Underwriters and may not be indicative of prices that will prevail in the trading market. The Offer Price may differ significantly from the market price for the H Shares following the Global Offering. We have applied to list and deal in our H Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our H Shares. In addition, the price and trading volumes of our H Shares may be volatile. Factors such as variations in our revenues, earnings and cash flows or any other developments affecting us or our business may affect the volume and price at which the H Shares will be traded. Investors may not be able to resell their H Shares at the Offer Price or a higher price. Volatility in the price of the H Shares may be caused by factors beyond our control and may be unrelated to our results of operations.

Future sales or perceived sales of substantial amounts of our securities in the public market, including any future public offering in the PRC, or re-registration of Shares held on our Domestic Share register and/or the Unlisted Foreign Share register into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future, and may result in dilution of your shareholdings

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings. A certain amount of our Shares currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. Please refer to "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Lock-up Undertakings". After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares, or the possibility of such sales, by us could negatively impact the market price of our H Shares and our ability to raise equity capital in the future.

Our Domestic Shares and Unlisted Foreign Shares immediately after the Global Offering will amount to approximately 278.11 million Shares, representing approximately 57.19% of our total issued share capital assuming the Over-allotment Option is not exercised (or approximately 278.11 million Shares, representing approximately 55.12% of our total issued share capital assuming the Over-allotment Option is exercised in full). The H Shares issued and sold under the Global Offering will amount to approximately 121.58 million H Shares, representing approximately 25.00% of our total issued share capital assuming the Over-allotment Option is not exercised (or approximately 139.82 million H Shares, representing approximately 27.71% of our total issued share capital assuming the Over-allotment Option is exercised in full). The H Shares to be converted from Foreign Shares immediately after the Global Offering will amount to approximately 86.63 million H Shares, representing approximately 17.81% of our total issued share capital assuming the Over-allotment Option is not exercised (or approximately 86.63 million H Shares, representing approximately 17.17% of our total issued share capital assuming the Over-allotment Option is exercised in full). Holders of Foreign Shares have not entered into any undertaking restricting its disposal or resale of these H Shares. See "Share Capital". Any transfer or disposal of these H Shares by holders of Foreign Shares will result in an increase of the number of H Shares available on the market and may affect the share price of our H Shares.

In addition, subject to the approval of the State Council securities regulatory authority, all of our unlisted Shares may be converted into H Shares, and such converted Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class shareholder voting is required for the listing and trading of the converted Shares on an overseas stock exchange. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon obtaining the requisite approval, shares currently held on our Domestic Share register and/or the Unlisted Foreign Share register may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the Global Offering, which could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

As the Offer Price is higher than the net tangible book value per H Share, you will experience immediate dilution

The Offer Price will be higher than the net tangible book value per H Share of the outstanding shares issued to our existing shareholders. Therefore, purchasers of the H Shares in the Global Offering will experience an immediate dilution and our existing Shareholders will receive an increase in the net tangible book value per Share of their Shares. As a result, if we distribute our net tangible assets to the Shareholders immediately following the Global Offering, purchasers of H Shares in the Global Offering will receive less than the amount they pay for their H Shares.

Certain industry statistics contained in this prospectus are derived from publicly available official sources and a market report commissioned by us, which have not been verified by us

This prospectus, in particular the information in "Industry Overview", contains information and statistics related to, among others, the economy and the clothing market of the PRC. Such information and statistics have been derived from various publicly available government and official sources and from the Euromonitor Report prepared by Euromonitor, an independent market consultant, which we commissioned. We believe that the sources of such information and statistics are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information or statistics are false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, none of the Company or any of the Relevant Parties has independently verified such information and statistics and no representation is given as to their correctness or accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, as in other jurisdictions. Therefore, you should not unduly rely upon the industry information and statistics contained in this prospectus.

Prospective investors are cautioned not to place any reliance on any projection or forward-looking information regarding our Group included in or referred to by the media

Projections, forecasts and information regarding our Group, our expected business strategy, plans or prospects may, from time to time, be included in or referred to by press releases or media. Our Directors make no representations as to the appropriateness, accuracy, completeness or reliability of any of the projections, forecasts or other forward-looking information, or of any assumptions underlying such projections, forecasts or other forward-looking information included in or referred to by press releases or media. Prospective investors are cautioned not to place any reliance on any such projection or information.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CSRC APPROVAL

In December 2011, we submitted an application for listing on the Shanghai Stock Exchange to the CSRC. We and the sponsor responsible for such listing application responded to the comments from the CSRC during its review period and amended the relevant prospectus accordingly. We have not received any further comments relating to such listing application from the CSRC since 23 May 2012 and we did not receive any comments relating to such listing application from the Shanghai Stock Exchange during its review period. Based on the information available to us, we are not aware that any comment from the CSRC relating to such listing application would lead to a rejection by the CSRC of such listing application or would affect the suitability of our Company to list on the Stock Exchange. Further, based on the due diligence conducted by the Sole Sponsor, the Sole Sponsor is not aware that any comment from the CSRC relating to such listing application would lead to a rejection by the CSRC of such listing application or would affect the suitability of our Company to list on the Stock Exchange.

In early 2013, we understood from the CSRC that it had a significant backlog of applications for listing on the A-share market and we expected the vetting and approval process for the listing of our Company in the PRC would be lengthy. Accordingly, we started planning to list on the Stock Exchange and withdrew our application for listing on the Shanghai Stock Exchange from the CSRC in June 2013. We believe that the CSRC and the Shanghai Stock Exchange did not have any outstanding comments or concerns about us or such listing application.

We submitted an application for listing on the Stock Exchange to the CSRC on 13 August 2013, and received comments on our draft prospectus from the CSRC. We and the Sole Sponsor consider the comments from the CSRC to contain customary requests for supplemental information and opinions of PRC counsels, and the CSRC has not raised any particular concerns about us or the proposed Global Offering.

We received approval from the CSRC for the Global Offering and the making of the application to list the H Shares on the Stock Exchange on 13 March 2014. In granting such consent, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

LOCK-UP PERIOD FOR SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

In accordance with PRC Company Law, our Shares which are issued prior to the Global Offering, will be subject to a one year lock-up period from the Listing Date.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered for subscription and sale solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, any of our or their respective directors, agents, employees or advisers or any other parties involved in the Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to its date.

UNDERWRITING

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

The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Purchase Agreement relating to the International Offering is expected to be entered into on or about 29 September 2014, subject to determination of the pricing of the Offer Shares. If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) by 8 October 2014, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. For further details about the Underwriters and the underwriting arrangements, please refer to "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

If we and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price not later than 8 October 2014, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON THE USE OF THIS PROSPECTUS

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

No action has been taken to permit an offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or exemption therefrom. In particular, the Offer Shares have not been offered and sold, will not be offered or sold, directly or indirectly, in the PRC.

CERTAIN MATTERS RELATING TO THE HONG KONG PUBLIC OFFERING

Application for Listing on the Stock Exchange

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in (i) any H Shares which may be issued by our Company pursuant to the Global Offering and upon the exercise of the Over-allotment Option; and (ii) H Shares which will be converted from Foreign Shares currently held by Good Factor. Dealings in the H Shares on the Stock Exchange are expected to commence on 9 October 2014.

No part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H Share Register and Stamp Duty

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

Dealings in the H Shares registered in our H Share register will be subject to stamp duty in Hong Kong. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the H Shares and it is charged on the purchaser on every purchase and on the vendor on every sale of the H Shares.

Dividends Payable to Holders of H Shares

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of H Shares will be paid to shareholders as recorded in our H Share register, and sent by ordinary post, at the shareholders' own risk, to the registered address of each shareholder.

H Shares will be Eligible for Admission into CCASS

Subject to the granting of the listing of, and permission to deal in, our H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business 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. All necessary arrangements have been made for our H Shares to be admitted into CCASS.

Professional Tax Advice Recommended

Applicants for the Hong Kong Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the H Shares. It is emphasised that none of the Company or any of the Joint Global Coordinators, the Sole Sponsor, the Underwriters, or our or their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of H Shares resulting from the subscription, purchase, holding, disposal of, dealing in, or exercise of any rights in relation to, the H Shares.

Registration of Subscription, Purchase and Transfer of our H Shares

We have instructed Computershare Hong Kong Investor Services Limited, the H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. Please refer to Appendix V – "Summary of Articles of Association" of this prospectus;

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorises us to enter into a contract on his behalf with each of our Directors and officers whereby such Directors and officers undertake to observe and comply with their obligations to our shareholders as stipulated in our Articles of Association.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not associates of any of the Directors or an existing shareholder of our Company or a nominee of any of the foregoing.

Procedure for Application for Hong Kong Offer Shares

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

STRUCTURE OF THE GLOBAL OFFERING

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

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the stabilisation and the Over-allotment Option are set out in "Underwriting" and "Structure of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

In this prospectus, all references to "RMB" or "Renminbi" are to Chinese Yuan, the official currency of the People's Republic of China; all references to "U.S.$" and "U.S. dollars" are to United States dollars, the official currency of the United States; and all references to "HK$" and "HK dollars" are to Hong Kong dollars, the official currency of Hong Kong. Unless otherwise specified, the translations of Renminbi and Hong Kong dollar amounts to U.S. dollar amounts were made at the rates of RMB6.1344 to U.S.$1.00 and HK$7.7505 to U.S.$1.00, respectively (the exchange rates in effect on 12 September 2014 set forth in the H.10 statistical release of the Federal Reserve Board of the United States on 15 September 2014). No representation is made that any amounts in RMB or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

ROUNDING

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

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

MARKET SHARE DATA CONVENTION

The statistical and market share information contained in this prospectus has been derived from official government publications. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with other statistical information from other sources within or outside the PRC. We have reproduced the data and statistics extracted from such official government publications in a reasonably cautious manner.

DIRECTORS

Name	Address	Nationality
Chairman and Executive Director		
Mr. Xing Jiaxing (邢加興)	Room 501 No. 28 Lane 99 Wan Ding Road Minhang District Shanghai PRC	Chinese
Executive Directors		
Mr. Wang Yong (王勇)	Room 602 No. 4 Lane 1383 Bo Xing Road Pudong New District Shanghai PRC	Chinese
Mr. Hu Gang (胡剛)	No. 10 Pengshou Avenue Xi'an Road Heping District Tianjin PRC	Chinese
Non-executive Directors		
Mr. Li Jiaqing (李家慶)	Room 302 No. 8 Lane 800 Jin Xiu Road Pudong New District Shanghai PRC	Chinese
Mr. Lu Weiming (陸衛明)	Room 501 No. 12 Lane 146 Gu Shan Road Pudong New District Shanghai PRC	Chinese
Mr. Cao Wenhai (曹文海)	No. 66 Lane 255 Feng Zhou Road Jiading District Shanghai PRC	Chinese
Ms. Wang Haitong (王海桐)	Room 1-2-1001 Hua Yuan Jiu Du Hui No. 6 Xiao Liang Ma Qiao West Road Chaoyang District Beijing PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. Mao Jianong (毛嘉農)	Room 1108 No. 10 Ding Hui Dong Li Haidian District Beijing PRC	Chinese
Mr. Zhou Guoliang (周國良)	Room 202 No. 19 Lane 810 Zheng Li Road Yangpu District Shanghai PRC	Chinese
Mr. Chen Wei (陳巍)	Room 211 No. 21 Guang Fu Xi Road Putuo District Shanghai PRC	Chinese
Professor Japhet Sebastian Law (羅文鈺)	Room 1B, Tower 9, Deerhill Villa 4699 Taipo Road Taipo Hong Kong	Chinese

SUPERVISORS

Name	Address	Nationality
Ms. Xie Hong (謝宏)	Room 301 No. 16 Lane 999 Ding Xiang Road Pudong New District Shanghai PRC	Chinese
Ms. Yang Lin (楊琳)	No. 4-501, Building 1 Feng Fang Yuan, Shang Di Xi Lane Haidian District Beijing PRC	Chinese
Mr. Zhang Xueqing (張學慶)	Room 1005 No.15 Tianlin Shisicun Xuhui District Shanghai PRC	Chinese
Mr. Tang Zhen (唐震)	Room 2101 No. 2 Lane 199 Shi Men Er Road Jing'an District Shanghai PRC	Chinese
Mr. Zhang Tao (張濤)	No.113 Lane 333 Qing Tong Road Pudong New District Shanghai PRC	Chinese

For further information regarding our Directors and Supervisors, please refer to "Directors, Supervisors and Senior Management".

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	China International Capital Corporation Hong Kong Securities Limited 29/F One IFC, 1 Harbour View Street Central, Hong Kong
Joint Global Coordinators	China International Capital Corporation Hong Kong Securities Limited 29/F One IFC, 1 Harbour View Street Central, Hong Kong CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
Joint Bookrunners	China International Capital Corporation Hong Kong Securities Limited 29/F One IFC, 1 Harbour View Street Central, Hong Kong CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong Jefferies Hong Kong Limited 22/F, Cheung Kong Center 2 Queen's Road Central Central, Hong Kong Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong VMS Securities Limited Suite 4112-14 41/F Jardine House 1 Connaught Place Central, Hong Kong

Legal Advisers to the Company	*as to Hong Kong and U.S. laws:* Linklaters 10th Floor, Alexandra House 18 Chater Road Central, Hong Kong *as to PRC law:* Grandall Law Firm (Shanghai) 45th-46th Floor, Nanzheng Building 580 Nanjing West Road Shanghai PRC
Legal Advisers to the Sole Sponsor, the Joint Global Coordinators and the Underwriters	*as to Hong Kong and U.S. laws:* Herbert Smith Freehills 23rd Floor, Gloucester Tower 15 Queen's Road Central Central, Hong Kong *as to PRC law:* Jingtian and Gongcheng Law Firm Suite 1202-1204 K. Wah Centre 1010 Huaihai Road (M) Xuhui District Shanghai PRC
Reporting Accountant	PricewaterhouseCoopers Certified Public Accountants 22nd Floor, Prince's Building Central, Hong Kong
Compliance Adviser	REORIENT Financial Markets Limited Suites 1102-03, Far East Finance Center 16 Harcourt Road, Admiralty Hong Kong

Receiving Bankers	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong
	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

Headquarters and Registered Office in the PRC	Room 3300, Level 3, Block 1 270 Cao Xi Road Xuhui District Shanghai PRC
Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company's Website	**www.lachapelle.cn** *(The information on the website does not form part of this prospectus)*
Joint Company Secretaries	Mr. Mao Jian Room 1407, Block 2 Ziwei Garden 123 Guiping Road Shanghai PRC Ms. Wong Wai Ling (ACS, ACIS) 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorised Representatives	Mr. Mao Jian Room 1407, Block 2 Ziwei Garden 123 Guiping Road Shanghai PRC Mr. Wang Yong Room 602 No. 4 Lane 1383 Bo Xing Road Pudong New District Shanghai PRC
Audit Committee	Mr. Zhou Guoliang *(Chairman)* Mr. Cao Wenhai Mr. Mao Jianong

Nomination Committee	Mr. Mao Jianong *(Chairman)* Mr. Lu Weiming Mr. Chen Wei
Remuneration and Appraisal Committee	Mr. Chen Wei *(Chairman)* Mr. Li Jiaqing Mr. Zhou Guoliang
Budget Committee	Mr. Wang Yong *(Chairman)* Ms. Wang Haitong Mr. Lu Weiming Mr. Li Jiaqing Mr. Zhou Guoliang
Strategy and Development Committee	Mr. Xing Jiaxing *(Chairman)* Mr. Wang Yong Mr. Hu Gang Mr. Li Jiaqing Ms. Wang Haitong Mr. Mao Jianong Professor Japhet Sebastian Law Mr. Chen Wei
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17/F Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Principal Banker	Bank of Communications Co., Ltd. Zhabei Sub-Branch 211 Heng Tong Road Zhabei District Shanghai PRC

HISTORY

Our history can be traced back to the establishment of our predecessor, Shanghai Xuhui La Chapelle Fashion Limited (上海徐匯拉夏貝爾服飾有限公司), as a limited liability company in the PRC on 14 March 2001, with a registered share capital of RMB500,000 contributed in cash by Mr. Xing Jiaxing and Mr. Wu Jinying (吳金應) as to 90% and 10%, respectively. It commenced its business in 2001. On 26 February 2004, Shanghai Xuhui La Chapelle Fashion Limited (上海徐匯拉夏貝爾服飾有限公司) changed its name to Shanghai La Chapelle Fashion Limited (上海拉夏貝爾服飾有限公司). On 23 May 2011, Shanghai La Chapelle Fashion Limited (上海拉夏貝爾服飾有限公司) was converted into a joint stock company with limited liability, Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司).

Set out below are certain key milestones in the development of our business since establishment:

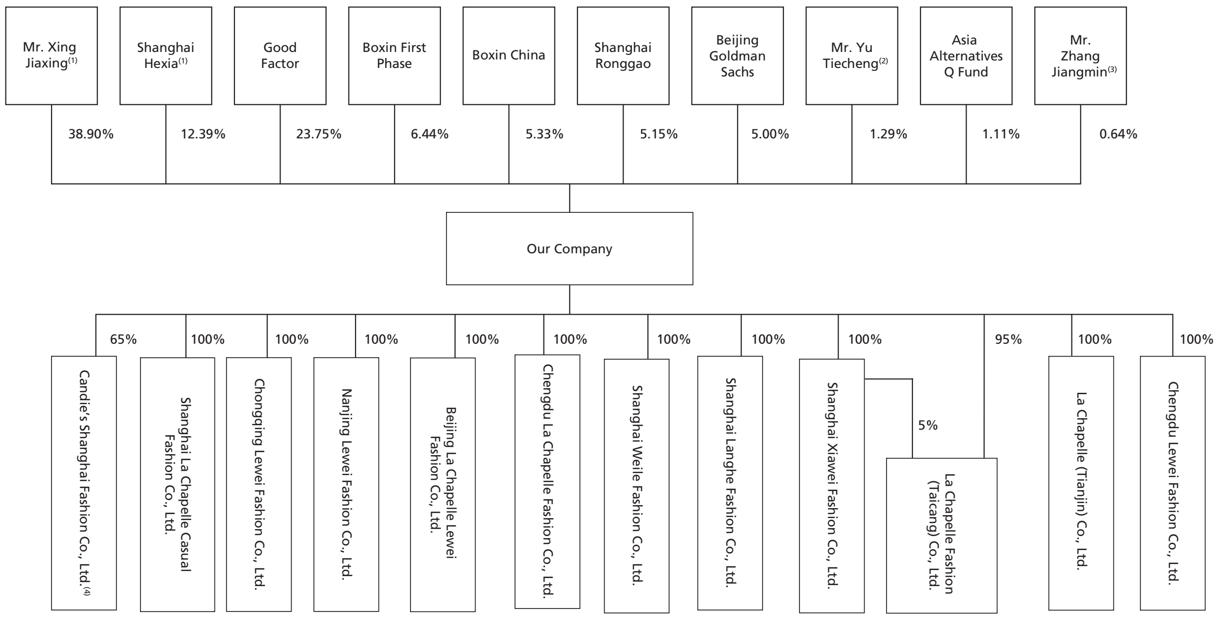
2001	We started operating under the name "Shanghai Xuhui La Chapelle Fashion Limited (上海徐匯拉夏貝爾服飾有限公司)" and launched the brand La Chapelle.
2003	We launched the brand La Chapelle Sport.
2004	We changed our name to "Shanghai La Chapelle Fashion Limited (上海拉夏貝爾服飾有限公司)".
2010	We converted from a domestic enterprise to a foreign invested enterprise.
	Good Factor acquired an aggregate 25% equity interest in our Company through two rounds of financing, at an aggregate consideration in U.S. dollars equivalent to RMB91.27 million.
2011	We converted from a foreign invested enterprise, Shanghai La Chapelle Fashion Limited (上海拉夏貝爾服飾有限公司), to a foreign-invested joint stock company with limited liability, Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司).
	We launched the brand La Chapelle Homme.
	Our subsidiary, Candie's Shanghai, acquired the ownership of the trademarks used by our Candie's products that are registered in the PRC, at a consideration of RMB1.50 million.
2012	We launched the brands 7.Modifier and La Babité.
2013	Beijing Goldman Sachs acquired a 5% equity interest in our Company at a consideration of RMB300 million.
	We launched the brands La Chapelle Kids and Pote.
2014	In July, we entered into a joint venture agreement with ICL-Marc Ecko to launch Marc Ecko, a menswear brand, in the PRC.
	In August, we launched our online flagship store on Tmall.

Please refer to Appendix VI – "Statutory and General Information – Further Information about our Group" for further details regarding other major shareholding changes, acquisitions and disposals during the Track Record Period.

Our PRC legal adviser, Grandall Law Firm (Shanghai), is of the view that our Group has obtained all necessary permits, licences and approvals as required pursuant to PRC laws and regulations from PRC authorities for the shareholding changes, acquisitions and disposals mentioned in this prospectus.

GROUP STRUCTURE

We have not undergone any reorganisation for the specific purpose of the Listing. The structure of our Group as at the Latest Practicable Date was as follows:



Notes:

(1) Please refer to "Our Controlling Shareholders" in this prospectus for details of the relationship between Shanghai Hexia and Mr. Xing Jiaxing.

(2) Mr. Yu Tiecheng is an Independent Third Party. Mr. Yu Tiecheng became a Shareholder on 26 June 2008 by acquiring what then represented 2.0% equity interest of the Company from Mr. Wu Jinying at a consideration of RMB150,000.

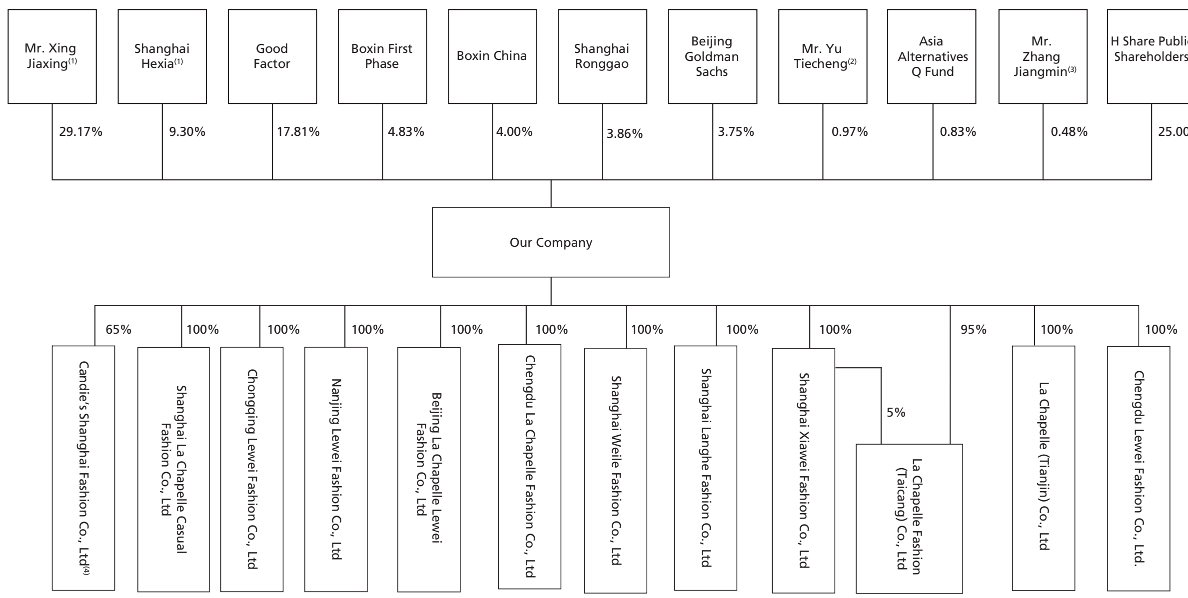
(3) Mr. Zhang Jiangmin is an Independent Third Party. Mr. Zhang Jiangmin became a Shareholder on 26 June 2008 by acquiring what then represented 0.15%, 0.40% and 0.45% equity interest of the Company from Mr. Wu Jinying, Ms. Zhang Danling and Mr. Xing Jiaxing, respectively, at a consideration of RMB11,250, RMB30,000 and RMB33,750, respectively.

(4) Candie's Shanghai is a joint venture company in which we have a 65% equity interest. ICL-Candies Limited and TBP New Classics Holdings (H.K.) Limited own a 20% equity interest and a 15% equity interest, respectively, in Candie's Shanghai.

ICL-Candies Limited is a private company incorporated in Hong Kong, which is wholly owned by Iconix China Limited. Iconix China Limited is a subsidiary of Iconix Brand Group Inc., which is a brand management company listed on the NASDAQ in the United States that owns, licenses and markets a portfolio of consumer brands worldwide and in particular in the United States. TBP New Classics Holdings (H.K.) Limited, which is wholly owned by TBP New Classics Holdings (BVI) Limited, is a private equity investment company incorporated in Hong Kong. Both ICL-Candies Limited and TBP New Classics Holdings (H.K.) Limited are, other than their interests in Candie's Shanghai, Independent Third Parties.

* Please refer to "Investments in Our Company" for further details regarding our other Shareholders.

The following chart sets out the structure of our Group immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and there is no change in the shareholding in our Company of each of our Shareholders listed below, subsequent to the Latest Practicable Date:



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* Please refer to "Investments in Our Company" for further details regarding our other Shareholders.

RATIONALE FOR OUR GROUP STRUCTURE

The structure of our Group allows us to efficiently manage our business, and the principal business activities of our Company and our subsidiaries can be generally categorised into:

- development (including product design, procurement, management of production outsourcing and management of retail points) of our brands; and
- sales of products under our brands.

In particular:

Development of our brands

Our Company	is primarily responsible for the development of the La Chapelle, La Babité and La Chapelle Kids brands.
Shanghai Weile Fashion Co., Ltd. (上海微樂服飾有限公司)	is primarily responsible for the development of the La Chapelle Sport brand.
Shanghai Xiawei Fashion Co., Ltd. (上海夏微服飾有限公司)	is primarily responsible for the development of the 7.Modifier brand.
Shanghai Langhe Fashion Co., Ltd. (上海朗赫服飾有限公司)	is primarily responsible for the development of the La Chapelle Homme and Pote brands.
Candie's Shanghai (上海樂歐服飾有限公司)	is primarily responsible for the development of the Candie's brand[1].

Note:

(1) We are responsible for the day-to-day management of our Candie's retail points and are entitled to nominate the chairman of the board of directors and the majority of the directors of Candie's Shanghai. We are also entitled to recommend individuals to be appointed as Candie's Shanghai's general manager and deputy general manager. The profits of Candie's Shanghai are shared among the Company, ICL-Candies Limited and TBP New Classics Holdings (H.K.) Limited in accordance with their respective equity interests in Candie's Shanghai. ICL-Candies Limited and TBP New Classics Holdings (H.K.) Limited, the other shareholders of Candie's Shanghai, are not actively involved in the day-to-day management of our Candie's retail points. Under the joint venture agreement relating to Candie's Shanghai, certain matters require the unanimous consent of all the directors of Candie's Shanghai, including the directors nominated by ICL-Candies Limited and TBP New Classics Holdings (H.K.) Limited. Such matters include amendments to the articles of association of Candie's Shanghai, the liquidation, dissolution, merger or demerger of Candie's Shanghai, and an increase or reduction of the registered capital of Candie's Shanghai.

Sales of products under our brands

Shanghai La Chapelle Casual Fashion Co., Ltd. (上海拉夏貝爾休閒服飾有限公司)	is responsible for overall sales management on a nationwide basis.
La Chapelle Fashion (Taicang) Co., Ltd. (拉夏貝爾服飾(太倉)有限公司)	provides further support to our overall sales management, and is generally responsible for sales of products in the eastern region of the PRC.
La Chapelle (Tianjin) Co., Ltd. (拉夏貝爾服飾(天津)有限公司)	provides further support to our overall sales management, and is generally responsible for sales of products in the northern region of the PRC.
Chengdu La Chapelle Fashion Co., Ltd. (成都拉夏貝爾服飾有限公司)	provides further support to our overall sales management, and is generally responsible for sales of products in the south-western region of the PRC.
Chongqing Lewei Fashion Co., Ltd. (重慶樂微服飾有限公司)	provides further support to our overall sales management, and is generally responsible for sales of products in Chongqing.
Chengdu Lewei Fashion Co., Ltd. (成都樂微服飾有限公司)	provides further support to our overall sales management, and is generally responsible for sales of products in Chengdu.
Nanjing Lewei Fashion Co., Ltd. (南京樂微服飾有限公司)	provides further support to our overall sales management, and is generally responsible for sales of products in Nanjing.
Beijing La Chapelle Lewei Fashion Co., Ltd. (北京拉夏樂微服飾有限公司)	provides further support to our overall sales management, and is generally responsible for sales of products in Beijing.

Our Company, Shanghai Weile Fashion Co., Ltd. (上海微樂服飾有限公司) and Shanghai La Chapelle Casual Fashion Co., Ltd. (上海拉夏貝爾休閒服飾有限公司) made material contributions to our Group's total revenue during the Track Record Period, and collectively contributed approximately 95.5%, 90.8%, 70.4% and 56.9% to our Group's total revenue in each of FY2011, FY2012, FY2013 and 1HFY2014, respectively.

Shanghai La Chapelle Casual Fashion Co., Ltd. (上海拉夏貝爾休閒服飾有限公司) was incorporated in the PRC on 9 February 2010, with a registered share capital of RMB5,000,000, and it commenced its business in 2010.

Shanghai Weile Fashion Co., Ltd. (上海微樂服飾有限公司) was incorporated in the PRC on 23 November 2011, with a registered share capital of RMB1,000,000, and it commenced its business in 2012.

In July 2014, we entered into a joint venture agreement pursuant to which we agreed to set up a Sino-foreign joint venture with ICL-Marc Ecko for the purpose of launching Marc Ecko, a menswear brand, in the PRC. Upon its incorporation, we will have a 85% equity interest in the joint venture and it will become our subsidiary. The remaining 15% equity interest will be held by ICL-Marc Ecko. As at the Latest Practicable Date, we had not obtained all relevant regulatory approvals for the establishment of Marc Ecko China. Please refer to "Business – Brand Development".

For further details relating to our subsidiaries, please refer to Appendix I – "Accountant's Report".

OUR CONTROLLING SHAREHOLDERS

Mr. Xing Jiaxing is our founder, Chairman, Chief Executive Officer and an executive Director, as well as a Controlling Shareholder of our Company. Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, Mr. Xing Jiaxing will directly own 141,874,425 Shares (approximately 29.17% of the issued share capital of our Company).

Shanghai Hexia is a company set up as a means to incentivise and reward selected management or employees of our Group. Prior to the establishment of Shanghai Hexia, equity interests in the Company that had been awarded to certain selected employees of our Group as management incentives were held on their behalf by Mr. Wu Jinying. On 30 December 2009, in order to clarify the ownership of such equity interests, Mr. Xing Jiaxing and these employees decided to establish Shanghai Hexia and agreed that these employees would be indirectly entitled to the equity interests in the Company through their respective interests in Shanghai Hexia. As part of the arrangement, Shanghai Hexia acquired equity interests in the Company from Shanghai Ronggao, Ms. Zhang Danling, Mr. Wu Jinying and Nanjing Jinlu on 8 April 2010 at a consideration of RMB2,600,000, RMB5,050,000, RMB3,282,500 and RMB6,180,000, respectively, and Shanghai Hexia became a Shareholder. As at the Latest Practicable Date, Mr. Xing Jiaxing held approximately 37.86% of the issued share capital of Shanghai Hexia and Ms. Zhang Danling, one of our senior management, held approximately 25.974% of the issued share capital of Shanghai Hexia. For further details relating to the establishment of Shanghai Hexia and the share-based compensation plans operated by it, please refer to Appendix I – "Accountant's Report". In addition to Mr. Xing Jiaxing and Ms. Zhang Danling, the largest and the second largest shareholders of Shanghai Hexia, Ms. Zhang Haiyun, Ms. Zhang Ying, Ms. Dong Yan, members of our senior management, and Mr. Tang Zhen, one of our Supervisors, are also shareholders of Shanghai Hexia.

In connection with our previous application for listing on the Shanghai Stock Exchange in 2011, Mr. Xing Jiaxing and Shanghai Hexia entered into an act-in-concert agreement on 20 September 2011 (the "Original Concert Agreement"). Under the Original Concert Agreement, Shanghai Hexia agreed to unconditionally accept Mr. Xing Jiaxing's decisions and to correspondingly exercise its voting rights at relevant shareholders' meetings in case of any conflict arising between them in respect of any vote on a shareholders' meeting, appointment of directors, finance, operation, and/or management decisions of the Company involving the Company's operation and management. According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the controlling shareholder of a listed issuer is required to undertake not to transfer its shares in the listed issuer within 36 months after the listing of the listed issuer's shares on the Shanghai Stock Exchange. In light of this, the term of the Original Concert Agreement was to expire on the third anniversary after the shares of the Company were listed on the Shanghai Stock Exchange.

Following the termination of the Company's application for listing on the Shanghai Stock Exchange, Mr. Xing Jiaxing and Shanghai Hexia entered into an agreement in August 2013 to terminate the Original Concert Agreement.

As the Original Concert Agreement has already been terminated and the Company has submitted an application for listing on the Stock Exchange, Mr. Xing Jiaxing and Shanghai Hexia entered into a new act-in-concert agreement on 9 January 2014 (the "New Concert Agreement"), whereby Shanghai Hexia has agreed to: (a) act in concert with Mr. Xing Jiaxing in matters relating to our operations and management, including but not limited to, voting at shareholders' meetings, nomination or appointment of directors, and the financial, operational, and management aspects of our Company; and (b) unconditionally accept Mr. Xing Jiaxing's decisions and opinions and correspondingly exercise its voting rights on relevant Shareholders' meetings in case of any conflict arising between them in respect of (a) above. Under the New Concert Agreement, Shanghai Hexia will continue to be bound by these obligations after Listing so long as both Mr. Xing Jiaxing and Shanghai Hexia are our Shareholders.

Immediately after completion of the Global Offering, (assuming the Over-allotment Option is not exercised) Mr. Xing Jiaxing and Shanghai Hexia will together hold approximately 38.47% of the issued share capital of our Company. Accordingly, both Mr. Xing Jiaxing and Shanghai Hexia are our Controlling Shareholders.

For Mr. Xing Jiaxing's background, please refer to "Directors, Supervisors and Senior Management – Directors".

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates after the Listing Date for the following reasons:

Clear delineation of business

Save and except for their respective interests in our Company and our subsidiaries, none of our Controlling Shareholders or any of their respective associates held interests in any other companies as at the Latest Practicable Date which may, directly or indirectly, compete with our business. In addition, it is not currently envisaged that there will be any continuing connected transaction between our Controlling Shareholders and our Group as at Listing Date. Our Board believes that our business will continue to be independent as there are no concerns regarding competition between us and our Controlling Shareholders.

Financial independence

We can finance our operations independently and make financial decisions according to our own business needs. Our Directors confirm that, as at the Latest Practicable Date, there did not exist any credit or loan provided by our Controlling Shareholders to, including amounts due to them from, our Group.

While Mr. Xing Jiaxing acted as guarantor to our bank borrowings amounting to RMB101.0 million, RMB370.0 million and RMB150.0 million, as at 31 December 2011, 2012 and 2013, respectively, all guarantees provided by Mr. Xing Jiaxing which were still existing as at 31 December 2013 has been released in March 2014.

The Company and Bank of China Limited (Shanghai, Baoshan Branch) entered into a loan agreement on 15 October 2013 for a loan of RMB30 million with a maturity period of one year. Bank of China Limited (Shanghai, Baoshan Branch) further provided a confirmation letter dated 4 April 2014 to clarify certain provisions of this loan agreement. According to such loan agreement and confirmation letter, it is an event of default if Mr. Xing Jiaxing ceases to be the controlling shareholder of the Company and in such event, Bank of China Limited (Shanghai, Baoshan Branch) has a right to terminate the loan agreement and demand payment of all outstanding loans under such agreement. As at the Latest Practicable Date, the outstanding amount under such loan agreement amounted to RMB30.0 million, accounting for 3.1% of the total outstanding loans. Please refer to "Information about the Global Offering – Lock-up Period for Shares Issued Prior to the Global Offering" for details of the one year lock-up that Mr. Xing Jiaxing is already subject to under the PRC Company Law.

We were able to, and believe that we are able to continue to, secure bank loans from banks and other financial institutions without any credit support or guarantees from our Controlling Shareholders. As at 31 December 2011, 2012, 2013 and 30 June 2014, our total bank borrowings without involving a guarantee from our Controlling Shareholders were RMB5 million, RMB55 million, RMB630 million and RMB822 million, respectively. We believe we are capable of obtaining financing and credit facilities from financial institutions on a stand-alone basis.

In addition, our financial system is independent from our Controlling Shareholders, and we have established an independent financial department with full-time employees to handle our financial operations.

Operational and administrative independence

We have established our own independent organisational structure comprising individual departments, each with specific areas of responsibility. None of our company secretary, operational personnel or administrative personnel is under the employment of our Controlling Shareholders and their respective associates. We do not rely on our Controlling Shareholders to establish or maintain our business relationship with our customers and suppliers, and none of the trademarks we use is registered in the name of our Controlling Shareholders. We have also established various internal control procedures to facilitate the effective operation of our business.

Independence of board and management

Our Directors and senior management team are elected and appointed in accordance with PRC laws and regulations. We have 11 directors on our Board, comprising three executive Directors, four non-executive Directors and four independent non-executive Directors. Our Supervisory Committee comprises five persons. Our senior management team comprises nine persons.

Except for Mr. Xing Jiaxing, Ms. Zhang Haiyun, Ms. Zhang Danling, Ms. Zhang Ying, Ms. Dong Yan and Mr. Tang Zhen, all of our Directors and senior management are independent of Shanghai Hexia.

Each of our Directors is aware of his/her fiduciary duties as a Director of our Company, which requires, among others, that he/she acts in our best interests and for our benefit and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted towards the quorum. In addition, our senior management makes business decisions independently. Our independent non-executive Directors will also bring independent judgment to the decision-making process of our Board and discharge their duties independently of our Controlling Shareholders.

Based on the above, our Directors are of the view that our Board as a whole, together with our senior management, is able to perform its managerial role in our Group independently of our Controlling Shareholders.

Non-compete undertaking

On 10 September 2014, each of our Controlling Shareholders entered into a Deed of Non-Competition in favour of our Company pursuant to which each of our Controlling Shareholders has undertaken to our Company that he/it will not, and will procure that his/its associates (except for any members of our Group) will not, during the restricted period set out below, among others, either on his/its/their own account or in conjunction with or on behalf of any person, company, firm or organisation, directly or indirectly,

(a) carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in (in each case whether as a shareholder, agent, partner, employee or otherwise and whether for profit, reward or otherwise) any business which is or may be in competition with the business of our Group described in this prospectus; and

(b) take any action which interferes with or disrupts or may interfere with or disrupt the business of our Group described in this prospectus, including, but not limited to, solicitation of any of the customers, department stores, landlords, suppliers or employees of any member of our Group.

Such non-compete undertaking does not apply to our Controlling Shareholders or their respective associates in respect of:

(a) their interests in the shares of any member of our Group; or

(b) their interests in the shares of a company other than our Group which shares are listed on the Stock Exchange or a recognised stock exchange provided that the total number of the shares held by each of the Controlling Shareholders (including his/its associates) does not exceed 5% of the issued shares or securities of the company in question and it/he and its/his associates, whether acting individually or jointly, are not entitled to appoint a majority of the board of directors of that company.

The "restricted period" stated in the Deed of Non-Competition refers to the period expiring on the earlier of (i) the date on which our H Shares cease to be listed and traded on the Stock Exchange; and (ii) the date on which the Controlling Shareholders (including their respective associates and parties acting in concert), jointly or severally, cease to be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company.

The Deed of Non-Competition also provides that:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;

- our Controlling Shareholders have undertaken to us that they will, and will procure their respective associates to, use their best endeavours to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;

- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules; and

- our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

DIRECTORS

Our Board of Directors consists of 11 Directors, three of whom are executive Directors, four of whom are non-executive Directors and four of whom are independent non-executive Directors. The following table sets out certain information concerning our Directors:

Name	Age	Position	Roles and responsibilities	Date of appointment as Director	Date of joining our Group
Mr. Xing Jiaxing (邢加興)	42	Chairman, Executive Director and chief executive officer	Overall management of our Group, strategic planning and decision making	9 May 2011	March 2001
Mr. Wang Yong (王勇)	40	Executive Director and executive vice president	Strategic planning and administrative management	9 November 2012	April 2012
Mr. Hu Gang (胡剛)	39	Executive Director, assistant to the chairman and senior executive vice president	Strategic planning and management of e-commerce business	26 June 2014	June 2014
Mr. Li Jiaqing (李家慶)	40	Non-executive Director	As a non-executive Director	9 May 2011	April 2010
Mr. Lu Weiming (陸衛明)	44	Non-executive Director	As a non-executive Director	9 May 2011	January 2008
Mr. Cao Wenhai (曹文海)	46	Non-executive Director	As a non-executive Director	9 May 2011	March 2010
Ms. Wang Haitong (王海桐)	30	Non-executive Director	As a non-executive Director	31 July 2014	July 2014
Mr. Mao Jianong (毛嘉農)	51	Independent non-executive Director	As an independent Director	9 May 2011	May 2011
Mr. Zhou Guoliang (周國良)	41	Independent non-executive Director	As an independent Director	23 May 2013	May 2013
Mr. Chen Wei (陳巍)	38	Independent non-executive Director	As an independent Director	9 May 2011	May 2011
Professor Japhet Sebastian Law (羅文鈺)	62	Independent non-executive Director	As an independent Director	11 August 2013	August 2013

Chairman, Executive Director and Chief Executive Officer

Mr. Xing Jiaxing (邢加興), aged 42, established the Group in March 2001. Mr. Xing is our Chief Executive Officer, the chairman of our Strategy and Development Committee, the chairman of the Board and was appointed as an executive Director on 9 May 2011.

Mr. Xing has more than 20 years of experience in the PRC fashion retailing industry. He was also involved in the apparel distribution business for Fuzhou Sophie Garment Co., Ltd. (福州蘇菲時裝有限公司) from July 1996 to July 1998. He established the predecessor of our Company and became the chairman of its board and its executive director in March 2001.

Mr. Xing is pursuing an Executive Master of Business Administration degree at Xiamen University and an Executive Master of Business Administration degree at China Europe International Business School.

Executive Directors

Mr. Wang Yong (王勇), aged 40, was appointed as our executive Director on 9 November 2012 and is the chairman of our Budget Committee and a member of our Strategy and Development Committee. Mr. Wang joined our Group in April 2012 and has been our executive vice president.

Mr Wang had approximately eight years of experience in the investment business in the PRC. Prior to joining our Group in April 2012, Mr. Wang had worked at the investment department of ChinaVest Co., Ltd. (中創企業管理諮詢(上海)有限公司) from 2004 to 2007, and at Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) from 2008 to 2012 as an investment manager, vice president and general director.

Mr. Wang obtained a Bachelor's degree in International Business Administration from Shanghai University of Finance and Economics in July 1995 and a Master of Business Administration degree from McMaster University, Canada in June 2004. Mr. Wang received his designation as a Chartered Financial Analyst from the CFA Institute in March 2007.

Mr. Hu Gang (胡剛), aged 39, was appointed as our executive Director on 26 June 2014 and is a member of our Strategy and Development Committee. Mr. Hu joined our Group in June 2014 as an executive Director, the assistant to the chairman and senior executive vice president of our Company.

Mr. Hu has more than 12 years of experience in the investment and retail industry in the PRC. Prior to joining our Group in June 2014, Mr. Hu had worked at Gome Electrical Appliance Co. Ltd (國美電器有限公司) from May 2003 to July 2006 as the supervisor of the development strategy analysis division and the operational management studies division, and at United Auto Parts Retail Chain (China) Co. Ltd. (優配汽車零件連鎖銷售(中國)有限公司) from July 2006 to June 2007 as the senior assistant to the chief executive officer and director of the strategic management department. He also worked at Jiangsu New Day Electric Vehicle Co., Ltd. (江蘇新日電動車股份有限公司) from 2007 as the executive vice president.

Mr. Hu obtained a Bachelor's degree in Chemistry from Tianjin University of Technology in July 1997, a Master of Business Administration degree from University of International Business and Economics in December 2005, and is currently pursuing an Executive Master of Business Administration degree from China Europe International Business School.

Non-executive Directors

Mr. Li Jiaqing (李家慶), aged 40, was appointed as our non-executive Director on 9 May 2011 and is a member of our Remuneration and Appraisal Committee, Budget Committee and Strategy and Development Committee. Mr. Li joined our Group in April 2010 as a non-executive director of our Company.

Mr. Li had worked at Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) from July 2001 to June 2013 as investment manager, senior investment manager, executive director and managing director. Mr. Li is currently managing director of Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) and director of Good Factor, which is one of our substantial shareholders. Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) and Good Factor are engaged in portfolio investment and fund management. Mr. Li is currently also a supervisor of Shanghai Amarsoft Information and Technology Co., Ltd. (上海安碩信息技術股份有限公司) (a company listed on the Shenzhen Stock Exchange) and a director of Yunnan Hongxiang Yixintang Pharmaceutical Co., Ltd. (雲南鴻翔一心堂藥業(集團)股份有限公司) (a company listed on the Shenzhen Stock Exchange).

Mr. Li obtained a Bachelor's degree in Mechanical Engineering and a Bachelor of Business Administration degree from Tsinghua University in July 1996, and a Master's degree in Management Science and Engineering from Tsinghua University in July 1999.

Mr. Lu Weiming (陸衛明), aged 44, was appointed as our non-executive Director on 9 May 2011 and is a member of our Nomination Committee and Budget Committee. Mr. Lu joined our Group in January 2008 as a non-executive director of our Company.

Mr. Lu is currently a partner of Boxin (Tianjin) Equity Investment Management Partnership (Limited Partnership) (博信(天津)股權投資管理合夥企業(有限合夥)), which is involved in private equity investment and is a general partner of our Shareholder, Boxin First Phase. Mr. Lu is currently also a director of Wuxi Xuelang Environment Technology Co., Ltd. (無錫雪浪環境科技股份有限公司) (a company listed on the Shenzhen Stock Exchange).

Mr. Lu was a director at Dalian East New Energy Development Co., Ltd. (大連易世達新能源發展股份有限公司) from November 2008 to February 2012 and at Shenzhen Tat Fook Technology Co., Ltd. (深圳市大富科技股份有限公司) from December 2009 to January 2013, both of which are listed on the Shenzhen Stock Exchange.

Mr. Lu obtained a Bachelor's degree in Management Information Systems from Tongji University, Shanghai in July 1992.

Mr. Cao Wenhai (曹文海), aged 46, was appointed as our non-executive Director on 9 May 2011 and is a member of our Audit Committee. Mr. Cao joined our Group in March 2010 as a non-executive Director of the Company.

Mr. Cao is currently the vice president of Shanghai Rongxi Venture Capital Management Co., Ltd. (上海融璽創業投資管理有限公司), which is involved in equity investment and fund management and is a minority shareholder of our Shareholder, Shanghai Ronggao and has been working there since July 2009. He obtained his PRC legal qualification in June 1997.

Mr. Cao also obtained a Bachelor's degree in Philosophy from Lanzhou University in July 1990 and a Master's degree in Law from East China College of Political Science and Law (now known as East China University of Political Science and Law) in June 2003.

Ms. Wang Haitong (王海桐), aged 30, was appointed as our non-executive Director on 31 July 2014 and is a member of our Budget Committee and Strategy and Development Committee.

Ms. Wang has been an executive director at Goldman Sachs Broad Street (Beijing) Equity Investment Management Co., Ltd. (北京高盛寬街博華股權投資管理有限公司), which is engaged in investment management, since January 2014. Ms. Wang is also currently a non-executive director of Ozner Water International Holding Limited, a company listed on the Main Board of the Stock Exchange. Ms. Wang had worked at Morgan Stanley Dean Witter Asia Limited Beijing Representative Office from July 2005 to June 2006 as an analyst, at Morgan Stanley Dean Witter Asia Ltd., Investment Banking Division in Hong Kong, from August 2006 to August 2007 as an analyst, and at the Principal Investment Area of Goldman Sachs (Asia) L.L.C. from September 2007 to December 2013 as analyst, then associate and later executive director.

Ms. Wang obtained a joint Bachelor's degree in Finance and Statistics from Peking University in July 2005.

Independent non-executive Directors

Mr. Mao Jianong (毛嘉農), aged 51, was appointed as our independent non-executive Director on 9 May 2011 and is the chairman of our Nomination Committee and a member of our Audit Committee and Strategy and Development Committee.

Mr. Mao obtained a Bachelor's degree in Medicine from the Second Military Medical University in July 1984, a Master of Management Science and Engineering degree from the Dalian University of Technology in April 2002 and an Executive Master of Business Administration degree from the China Europe International Business School in October 2011.

Mr. Mao is an independent non-executive director of Yonghui Superstores Co., Ltd. (a company listed on the Shanghai Stock Exchange), and an independent non-executive director of China Hainan Natural Rubber Industry Group Co., Ltd. (海南天然橡膠產業集團股份有限公司) (a company listed on Shanghai Stock Exchange).

In addition, Mr. Mao was an executive director of SinoChem International Corporation from November 2007 to December 2010, a non-executive director of Nantong Jiangshan Agrochemical and Chemicals Co., Ltd. from January 2008 to December 2009, and a non-executive director of China Hainan Rubber Industry Group Co., Ltd. from October 2008 to June 2011, all of which are companies listed on the Shanghai Stock Exchange.

Mr. Zhou Guoliang (周國良), aged 41, was appointed as our independent non-executive Director on 23 May 2013 and is the chairman of our Audit Committee and a member of our Remuneration and Appraisal Committee and Budget Committee.

Mr. Zhou has experience in reviewing or analysing audited financial statements of public companies. Mr. Zhou obtained a Bachelor's degree in Mathematical Statistics in July 1994, a Master's degree in Accounting in July 2003 and a Doctorate in Accounting in June 2008 from Shanghai University of Finance and Economics. Mr. Zhou is currently an Associate Professor in Accounting Faculty at the Shanghai University of Finance and Economics.

In addition, Mr. Zhou currently holds the following independent non-executive directorships: Yonghui Superstores Co., Ltd. (a company listed on the Shanghai Stock Exchange); Shanghai Bestway Marine Engineering Co., Ltd. (a company listed on the Shenzhen Stock Exchange); and Shanghai Haibo Co., Ltd. (a company listed on the Shanghai Stock Exchange).

Mr. Chen Wei (陳巍), aged 38, was appointed as our independent non-executive Director on 9 May 2011 and is the chairman of our Remuneration and Appraisal Committee and a member of our Nomination Committee.

Mr. Chen obtained a Bachelor's degree in International Business Law from East China University of Political Science and Law in July 1998, a Bachelor's degree in Information Management (self-learning) from Fudan University in April 2002 and an Executive Master in Business Administration degree from China Europe International Business School in October 2011.

Mr. Chen is currently a partner of Llinks Law Offices (通力律師事務所).

Professor Japhet Sebastian Law (羅文鈺), aged 62, was appointed as our independent non-executive Director on 11 August 2013 and is a member of our Strategy and Development Committee.

Professor Law obtained a Doctorate degree of Mechanical Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986 and was a Professor in the Department of Decision Sciences and Managerial Economics until his retirement in 2012. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Professor Law has provided consulting services to various corporations in Hong Kong and overseas. He is also active in public services, having served as a member of the Provisional Regional Council of The Government of the Hong Kong Special Administrative Region and various other committees, and is also active on the boards of a number of other organisations including non-profit and charitable organisations, in Hong Kong and elsewhere.

In addition, Professor Law currently holds the following independent non-executive directorships: Regal Hotels International Holdings Limited (a company listed on the Main Board of the Stock Exchange); Beijing Capital International Airport Company Limited (a company listed on the Main Board of the Stock Exchange); Tianjin Port Development Holdings Limited (a company listed on the Main Board of the Stock Exchange); Shougang Fushan Resources Group Limited (a company listed on the Main Board of the Stock Exchange); Binhai Investment Company Limited (a company listed on the Main Board of the Stock Exchange); Global Digital Creations Holdings Limited (a company listed on the Growth Enterprise Market on the Stock Exchange); and Tianjin Binhai Teda Logistics (Group) Corporation Limited (a company listed on the Growth Enterprise Market on the Stock Exchange).

Professor Law was an independent non-executive director of Cypress Jade Agricultural Holdings Limited (a company listed on the Main Board of the Stock Exchange) from December 2011 to July 2013.

Save as disclosed above, none of our Directors had other directorship in listed companies during the Track Record Period, there is no other matter that needs to be brought to the attention of the Shareholders in connection with the appointment of our Directors and there is no other information in respect of our Directors that is discloseable pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules.

Roles of Chairman and Chief Executive Officer performed by same person

Under Paragraph A.2.1 of Appendix 14 to the Listing Rules, the roles of Chairman and Chief Executive Officer of an issuer should be separate and should not be performed by the same person. Mr. Xing Jiaxing is currently our Chairman and Chief Executive Officer, responsible for the overall management of our Group. Our Directors consider that vesting the roles of our Chairman and Chief Executive Officer in the same person facilitates the execution of our business strategies, decision-making and maximises the effectiveness of our operations. Our Directors also believe that the presence of four independent non-executive Directors provides added independence to our Board.

Our Directors will review the structure from time to time and consider an adjustment should it become appropriate.

SUPERVISORS

Our Supervisory Committee is responsible for supervising our Board and members of our senior management. The following table sets out certain information relating to our Supervisors:

Name	Age	Position	Roles and responsibilities	Date of appointment as Supervisor	Date of joining of our Group
Ms. Xie Hong (謝宏)	45	Chairperson of the Supervisory Committee and general manager of human resources	Management of our Group's human resources and supervision of the Board and senior management	9 May 2011	August 2010
Ms. Yang Lin (楊琳)	49	Supervisor	Supervision of the Board and senior management	9 May 2011	May 2011
Mr. Zhang Xueqing (張學慶)	47	Supervisor	Supervision of the Board and senior management	13 January 2014	January 2014
Mr. Tang Zhen (唐震)	61	Supervisor	Supervision of the Board and senior management	9 May 2011	August 2004
Mr. Zhang Tao (張濤)	44	Supervisor	Supervision of the Board and senior management	13 January 2014	January 2014

Ms. Xie Hong (謝宏), aged 45, was appointed as the chairperson of our Supervisory Committee and general manager of human resources on 30 September 2011. Ms. Xie joined our Group in August 2010 as director of human resources.

Prior to joining our Group, Ms. Xie had worked at Shanghai Metersbonwe Fashion & Accessories Co., Ltd. (上海美特斯邦威服飾股份有限公司) from May 2006 to October 2007 as head of human resources and at Shanghai Ten Fashion & Accessories Co., Ltd. (上海天恩服飾有限公司) from June 2008 to May 2010 as supervisor of human resources. Both are companies within the PRC fashion industry.

Ms. Xie obtained a Bachelor's degree in Technology Economics from Tianjin University in July 1992. She is currently pursuing an Executive Master of Business Administration degree at Xiamen University.

Ms. Yang Lin (楊琳), aged 49, was appointed as our Supervisor on 9 May 2011.

Ms. Yang worked at Lenovo Group Limited, a technology company, from 1998 to March 2001 as vice general manager of the financial department and at Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) from April 2001 to 2006 as senior financial advisor. Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) is engaged in portfolio investment and fund management.

Ms. Yang is currently the chief financial advisor of Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司).

Ms. Yang obtained a Bachelor's degree in Economics from Jiangxi University of Finance and Economics in July 1987 and a Master's degree in Economics from Renmin University of China in July 1990. Ms. Yang received her qualification as an accountant from the Ministry of Finance in November 1993.

Mr. Zhang Xueqing (張學慶), aged 47, was appointed as our Supervisor on 28 January 2014.

Mr. Zhang worked at Shanghai Nong Gong Shang Supermarket Co., Ltd. (上海農工商超市(集團)有限公司) from June 2000 to September 2001 as head of finance, at Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (復星醫藥股份有限公司) from September 2001 to September 2002 as head of investment, at Bright Dairy & Food Co., Ltd. (光明乳業股份有限公司) from September 2002 to March 2006 as head of investment and manager in the UHT Division, at Global Children Supplies Co., Ltd. (上海全球兒童用品股份有限公司) from May 2006 to June 2014 as founder, chairman and general manager and at Shanghai Fosun High Technology (Group) Co., Ltd from July 2014 to present as managing director of Health Holding Business Department.

Mr. Zhang obtained a Bachelor's degree in Auditing from Shanghai University of Finance and Economics in July 1989.

Mr. Tang Zhen (唐震), aged 61, was appointed as our Supervisor on 9 May 2011.

Prior to joining our Group in August 2004, Mr. Tang had worked at Braun (Shanghai) Co., Ltd. (博朗電器(上海)有限公司), which is engaged in electronics manufacturing, from December 1994 to April 1996 and he was responsible for sales training, at Parfums Christian Dior (Shanghai) Co., Ltd. (克麗絲汀•迪奧(上海)香水化妝品有限公司), a perfume and cosmetics company, from May 1996 to October 1999 as national sales manager, and at Shanghai Intermoda Clothing Co., Ltd. (上海英模特製衣有限公司), which is engaged in the fashion industry, from March 2002 to June 2004 as sales supervisor.

Mr. Tang obtained a Bachelor's degree in Chinese from Shanghai Putuo Sparetime University in July 1987 and is pursuing an Executive Master of Business Administration degree from Xiamen University.

Mr. Zhang Tao (張濤), aged 44, was appointed as our Supervisor on 28 January 2014.

Mr. Zhang worked at Rong An De Equity Investment Management Partnership (Limited Partnership) (熔安德股權投資基金管理有限合夥企業) from April 2011 to present as founding partner, and Qinghai Gelatin Company Limited (青海明膠股份有限公司) (a company listed on Shenzhen Stock Exchange) from March 2009 to present as independent non-executive director.

Mr. Zhang obtained a degree of Master of Business Administration from Boston University School of Management in January 2005, a degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business in September 2013, and he is now pursing a certificate of the Global CEO Training Program from Shanghai Jiaotong University since 2012.

Save as disclosed above, none of our Supervisors had any directorship in listed companies during the Track Record Period, and there is no other matter that needs to be brought to the attention of the Shareholders in connection with the appointment of our Supervisors and there is no other information in respect of our Supervisors that is discloseable pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management of our business. The following table sets out certain information concerning our senior management:

Name	Age	Position	Roles and responsibilities	Date of appointment of current position	Date of joining our Group
Mr. Wang Baohai (王寶海)	49	Vice president of operations	Management of our supply chain and products	21 April 2013	April 2013
Mr. Yin Xinzai (尹新仔)	42	Vice president of sales and marketing	Management of our overall sales and marketing	1 September 2013	June 2013
Mr. Quan Qiang (全強)	41	Chief financial officer	Financial management, decision making and control	22 September 2013	September 2013
Ms. Zhang Danling (章丹玲)	35	General manager of brands	Management of our brand, La Babité	1 July 2011	March 2001
Ms. Dong Yan (董燕)	35	General manager of brands	Management of our brand, La Chapelle	26 February 2011	February 2004
Ms. Zhang Ying (張瑩)	34	General manager of brands	Management of our brand, La Chapelle Sport	1 September 2011	March 2003
Ms. Shi Hai (石海)	40	General manager of development	Strategic planning, in particular expansion of retail network	23 April 2012	March 2001
Ms. Zhang Haiyun (張海雲)	36	Deputy general manager of finance	Finance management	9 April 2014	March 2001
Mr. Mao Jian (茅健)	37	Secretary to the Board	Management of our investment, financing and the holding of Shareholders' meetings, Board meetings and Supervisory Committee's meetings	1 November 2011	November 2009

Mr. Wang Baohai (王寶海), aged 49, was appointed as our vice president of operations on 21 April 2013. He is responsible for the management of our supply chain and products. Mr. Wang obtained a Bachelor's degree in Mathematics from AnQing Normal University in July 1988 and a Master of Business Administration degree (distance learning) from Asia International Open University (Macau) in July 2006.

Mr. Yin Xinzai (尹新仔), aged 42, was appointed as our vice president of sales and marketing on 1 September 2013. He joined our Company in June 2013 and was designated as a general manager of sales and marketing in August 2013. Mr. Yin is responsible for our overall sales and marketing. Prior to joining our Company, Mr. Yin worked at Joeone Co., Ltd. (九牧王股份有限公司) from September 1998 to June 2012 and at Hangzhou Jiuxuan Fashion Co., Ltd. (杭州九軒服飾有限公司) from June 2012 to May 2013. Both companies are in the PRC fashion industry. Mr. Yin is pursuing an Executive Master of Business Administration degree from Xiamen University.

Mr. Quan Qiang (全強), aged 41, was appointed as our chief financial officer on 22 September 2013. Prior to joining our Company, Mr. Quan worked at BNP Paribas Peregrine Securities Limited as a research analyst from 1996 to 2000. From 2002 to 2004, Mr. Quan worked as an associate at the Investment Banking department of Lehman Brothers Asia Holdings Limited. From 2005 to 2011, Mr Quan worked as the chief financial officer and the board secretary at Guangxi Fenglin Wood Industry Group Co., Ltd. From 2011 to 2013, Mr. Quan worked as the chief representative of RBS Asia Corporate Finance Limited Beijing and the branch manager of the RBS Shenzhen Branch.

Mr. Quan obtained a Bachelor's degree in International Political Science from Fudan University in July 1996 and obtained a degree of Master of Business Administration from University of Michigan in April 2002.

Ms. Zhang Danling (章丹玲), aged 35, was appointed as a general manager of brands on 1 July 2011. She joined our Company as a design director in March 2001, and was subsequently appointed as a general manager of our overall brand management centre in January 2007. Ms. Zhang was also a Director of our Company from May 2011 to November 2012. In her current role as a general manager of brands, Ms. Zhang is responsible for the management of our emerging brands, such as La Babité. Ms. Zhang obtained a junior college diploma in fashion design from Sichuan University in 1999 and she is now pursuing an Executive Master of Business Administration degree from Antai College of Economics & Management, Shanghai Jiao Tong University.

Ms. Dong Yan (董燕), aged 35, was appointed as a general manager of brands on 26 February 2011. She joined our Company as a designer in February 2004, and was subsequently appointed as a director of brands in February 2008. In her current role as a general manager of brands, Ms. Dong is responsible for the management of our brand, La Chapelle. Ms. Dong is pursuing an Executive Master of Business Administration degree from Xiamen University.

Ms. Zhang Ying (張瑩), aged 34, was appointed as a general manager of brands on 1 September 2011. She joined our Company as a designer in March 2003, and was subsequently appointed as an associate director of brands in January 2006, and a director of brands in June 2010. In her current role as a general manager of brands, Ms. Zhang is responsible for the management of our brand, La Chapelle Sport. Ms. Zhang obtained a Bachelor's degree in fashion design from Tianjin Polytechnic University in July 2002 and is pursuing an Executive Master of Business Administration degree from Xiamen University.

Ms. Shi Hai (石海), aged 40, was appointed as our general manager of development on 23 April 2012. Ms. Shi has more than 15 years of experience in the PRC fashion retailing industry. Prior to joining our Group, Ms. Shi had worked at Shanghai Itokin Fashion Centre Co., Ltd. (上海伊都錦時裝中心有限公司) from 1997 to 1999 as store manager. From 2001 to February 2008, Ms. Shi worked in our Group as store manager. From February 2008 to 2011, Ms. Shi worked at Shanghai Lagogo Fashion Co., Ltd. (上海拉谷谷時裝有限公司). In March 2012, Ms. Shi re-joined our Group and was subsequently appointed as the general manager of development in April 2012 and is responsible for strategic planning, in particular expansion of retail network. Ms. Shi is now pursuing an Executive Master of Business Administration degree from Xiamen University.

Ms. Zhang Haiyun (張海雲), aged 36, was appointed as our deputy general manager of finance on 9 April 2014. She joined the finance department of our Group in March 2001, and was subsequently appointed as a financial manager in 2006, deputy director of the finance department from January 2010 to October 2010 and head of finance from November 2011. Ms. Zhang is responsible for our finance management. Ms. Zhang is now pursuing an Executive Master of Business Administration degree from Xiamen University.

Mr. Mao Jian (茅健), aged 37, was appointed as secretary to the Board on 1 November 2011. He joined our Group in November 2009 as manager and vice supervisor of investment. Mr. Mao is responsible for managing our investment and financing, and the operations of the shareholders' meetings, the Board of Directors and the Supervisory Committee. Mr. Mao has more than 10 years of experience in managing the investment of an enterprise. Prior to joining our Group, Mr. Mao had worked at Shanghai Zhisheng Investment Management Co., Ltd. (上海智晟投資管理有限公司) from April 2008 to November 2009 as assistant to general manager. Mr. Mao obtained a junior college diploma in Computer Aided Design and Information Management from Suzhou University in July 1998 and is pursuing an Executive Master of Business Administration degree from Xiamen University.

None of our senior management had any directorships in listed companies during the Track Record Period.

JOINT COMPANY SECRETARIES

Mr. Mao Jian (茅健), one of our joint company secretaries, is also a member of our senior management. Please refer to "– Senior Management" for his biography.

Ms. Wong Wai Ling (黃慧玲), one of our joint company secretaries, is assistant vice president of SW Corporate Services Group Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SW Corporate Services Group Limited, she worked in a corporate service provider and the company secretarial department of an international accounting firm. Ms. Wong has been awarded a Bachelor of Arts degree in Marketing and Public Relations from The Hong Kong Polytechnic University and Master of Corporate Governance degree from The Open University of Hong Kong, and is Associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Wong has approximately 10 years of experience in providing company secretarial services.

COMPLIANCE ADVISER

We have appointed REORIENT Financial Markets Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will provide advice to us when consulted by us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) if a transaction which might be a notifiable or connected transaction is contemplated, including share issues and share repurchases;

(c) if we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or when our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; or

(d) if the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our H Shares.

The term of this appointment shall commence on the Listing Date and is expected to end on the date on which we distribute our annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

BOARD COMMITTEES

Audit Committee

We have established a Board audit committee (which is required under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules). The primary duties of the audit committee are to review and supervise our financial reporting process and internal controls.

The audit committee currently consists of three non-executive Directors, two of whom are independent. The members of the audit committee are currently Mr. Zhou Guoliang, Mr. Cao Wenhai and Mr. Mao Jianong. It is currently chaired by Mr. Zhou Guoliang, an independent non-executive Director.

Nomination Committee

We have established a Board nomination committee (which is recommended under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules). The primary duties of the nomination committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and to make recommendations to the Board on the appointment and removal of Directors.

The nomination committee currently consists of three non-executive Directors, two of whom are independent. The members of the nomination committee are currently Mr. Mao Jianong, Mr. Lu Weiming and Mr. Chen Wei. It is currently chaired by Mr. Mao Jianong, an independent non-executive Director.

Remuneration and Appraisal Committee

We have established a Board remuneration and appraisal committee (which is required under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules). The primary duties of the remuneration and appraisal committee are to make recommendations to the Board on our Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The remuneration and appraisal committee currently consists of three non-executive Directors, two of whom are independent. The members of the remuneration and appraisal committee are currently Mr. Chen Wei, Mr. Li Jiaqing and Mr. Zhou Guoliang. It is currently chaired by Mr. Chen Wei, an independent non-executive Director.

Budget Committee

We have established a Board budget committee. The primary duties of the budget committee are to make recommendations to the Board on budgeting.

The budget committee currently consists of one executive Director, three non-executive Directors and one independent non-executive Director. The members of the budget committee are currently Mr. Wang Yong, Ms. Wang Haitong, Mr. Lu Weiming, Mr. Li Jiaqing and Mr. Zhou Guoliang. It is currently chaired by Mr. Wang Yong, an executive Director.

Strategy and Development Committee

We have established a Board strategy and development committee. The primary duties of the strategy and development committee are to make recommendations to the Board on matters such as the Company's development plans, strategic investments and business innovations.

The strategy and development committee currently consists of three executive Directors, two non-executive Directors and three independent non-executive Directors. The members of the strategy and development committee are currently Mr. Xing Jiaxing, Mr. Wang Yong, Mr. Hu Gang, Mr. Li Jiaqing, Ms. Wang Haitong, Mr. Mao Jianong, Professor Japhet Sebastian Law and Mr. Chen Wei. It is currently chaired by Mr. Xing Jiaxing, an executive Director.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors' and Supervisors' emoluments during the Track Record Period are set out as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands (unaudited)	RMB thousands
Directors' fees	240	360	440	190	240
Wages, salaries and bonuses	3,199	4,851	4,116	2,214	2,181
Contribution to pension plan	150	179	155	86	57
Housing fund, medical insurance and other social insurance	152	177	146	86	57
Share-based compensation plan (Note 15(b))	3,328	3,486	533	846	199
	7,069	9,053	5,390	3,422	2,734

Our senior management's emoluments during the Track Record Period are set out as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands (unaudited)	RMB thousands
Wages, salaries and bonuses	2,331	2,759	4,580	1,751	3,852
Contribution to pension plan	130	133	215	93	134
Housing fund, medical insurance and other social insurance	130	131	215	93	145
Share-based compensation plan	1,323	1,708	3,669	1,753	1,360
Total	3,914	4,731	8,679	3,690	5,491

The directors, supervisors and senior management were also employees of our Group and our Group paid employee emoluments to them in their capacity as employees before or after their respective appointments directors, supervisors or senior management in FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014.

Please refer to Appendix I – "Accountant's Report" for further details regarding the share-based compensation plan mentioned above.

The remuneration and benefits in kind (if applicable) received by the top five highest paid individuals (including Directors and Supervisors) in FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014 were approximately RMB8.1 million, RM9.8 million, RMB8.4 million, RMB4.5 million and RMB4.4 million, respectively.

Save as disclosed above, no other payments have been made or are payable in respect of FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014 by any member of the Group to any of our Directors, Supervisors or senior management.

Under the arrangements currently in force, we estimate the aggregate remuneration (including benefits in kind but excluding discretionary bonus) of our Directors and Supervisors for the year ending 31 December 2014 to be approximately RMB4.1 million and RMB1.5 million, respectively.

GOOD FACTOR INVESTMENT

Our Company and the 2010 Investors entered into the Good Factor Subscription Agreement, pursuant to which Good Factor subscribed for 2,500,000 Shares, representing approximately 25% of the issued share capital of our Company, on 7 July 2010 and was granted a call option for additional newly issued share capital of our Company at a consideration in U.S. dollars equivalent to approximately RMB45.0 million. In addition, Mr. Xing Jiaxing and Good Factor entered into an agreement dated 31 December 2009, pursuant to which Good Factor would transfer certain Shares to Mr. Xing Jiaxing and Shanghai Hexia as management incentives if our Company achieved the net profit target. As our Company's net profit for the year ended 31 December 2010 met the net profit target under this agreement, Good Factor transferred 500,000 Shares (representing approximately 5% of the issued share capital of our Company at the transfer date) to Mr. Xing Jiaxing and 300,000 Shares (representing approximately 3% of the issued share capital of our Company at the transfer date) to Shanghai Hexia on 22 December 2010 as management incentives. Our Company and the 2010 Investors further entered into the Good Factor Capital Increase Agreement, pursuant to which Good Factor exercised its call option and acquired an additional 1,066,667 Shares, resulting in their aggregate equity interest of 25% of the issued share capital of our Company, on 22 December 2010 at a consideration in U.S. dollars equivalent to approximately RMB46.3 million.

Accounting treatment of the call option mentioned above

The call option contained in the Good Factor Subscription Agreement which entitled Good Factor to acquire additional equity interest in our Company at a specific price was accounted for as a separate derivative financial instrument. Such derivative financial instrument was initially recognised at fair value on the date a derivative contract was entered into and was subsequently re-measured at its fair value.

Accounting treatment of the 8% management incentives mentioned above

The total cash consideration received by our Company under the Good Factor Subscription Agreement was less than the then assessed fair value of Good Factor's 25% equity interests in our Company and the call option granted to Good Factor. As such, the Company was compensated for this difference by way of Good Factor awarding the 8% management incentives to Mr. Xing Jiaxing and Shanghai Hexia in exchange for the employee services provided by the shareholders of Shanghai Hexia, all of whom were also our employees as at the date of the Good Factor Subscription Agreement.

We estimated the fair value of the employee service provided by shareholders of Shanghai Hexia, all of whom were also our employees as at the date of the Good Factor Subscription Agreement, to be received on 31 December 2009, and recognised expenses in the consolidated statements of comprehensive income over the vesting period. We believe that such an accounting treatment is in accordance with applicable IFRS (in particular, IFRS 2) and the relevant accounting policies have been disclosed in Appendix I – "Accountant's Report". For further details of the application of IFRS 2 for accounting for the Good Factor Subscription Agreement and relevant accounting policies, please refer to Appendix I – "Accountant's Report" at Notes 2.20 and 15(b).

As at the Latest Practicable Date, Good Factor owned 23.75% of the issued share capital of our Company.

Immediately following completion of the Global Offering, assuming no exercise of the Over-allotment Option, Good Factor will own approximately 17.81% of the issued share capital of our Company.

Other information regarding the Good Factor Investment

Name of the investor	Good Factor was incorporated as a limited liability company in Hong Kong on 9 October 2009, with its registered address at Room 2701-03, One Exchange Square, 8 Connaught Place, Central, Hong Kong. Good Factor is a special purpose vehicle established by LC Fund IV, L.P., LC Parallel Fund IV, L.P., Favor Mega Holdings Limited and Grandsun International Investment Limited, for the purpose of investment in our Company. LC Fund IV, L.P. and LC Parallel Fund IV, L.P. holds approximately 78.5% and 8.2% of the issued share capital of Good Factor respectively, and are the two largest shareholders of Good Factor. The remaining equity interests are owned by Grandsun International Investment Limited as to 8% and Favor Mega Holdings Limited as to 5.3%, both of which are Independent Third Parties. LC Fund IV, L.P. and LC Parallel Fund IV, L.P. are primarily engaged in seeking investment opportunities in the PRC, and one of their limited partners is Right Lane Limited, a limited company incorporated in Hong Kong.
Consideration paid	We received approximately U.S.$6.6 million, being the equivalent of RMB45.0 million (less bank transfer fees), and approximately U.S.$6.9 million, being the equivalent of RMB46.3 million (less bank transfer fees), on 12 May 2010, and 10 December 2010, respectively.
Basis of consideration	The consideration was agreed through commercial negotiations based on Good Factor's estimate of the future value of our Company, and was not calculated at a discount, or otherwise linked, to the Offer Price.
Investment costs per Share	$$\text{RMB1.05} = \frac{\text{Good Factor's total investment amount (being the consideration received by us), being RMB91,265,075}}{\text{Total number of Shares currently held by Good Factor, being 86,625,000 Shares}}$$
Use of proceeds and whether fully utilised	The proceeds have been fully utilised for sales network expansion and working capital purposes.
Strategic benefits	We believe that the Good Factor Investment demonstrated LC Fund IV, L.P.'s confidence in our continued growth and our future prospects as well as recognition of our current operating strengths.

The Shares held by Good Factor will be subject to a one year lock-up period from the Listing Date, in accordance with PRC Company Law. Good Factor is connected to our Director, Mr. Li Jiaqing, and is a substantial shareholder. As such, the Shares held by Good Factor will not be treated as part of the public float. For details on the connection between Good Factor and our Director, Mr. Li Jiaqing, please refer to "Directors, Supervisors and Senior Management".

Details of rights granted to Good Factor and the other 2010 Investors

Good Factor and the other 2010 Investors are not currently entitled to any special rights arising from the Good Factor Investment.

THE GS INVESTMENT

In May and August 2013, our Company, the 2010 Investors and Beijing Goldman Sachs entered into the GS Subscription Agreement, the GS Shareholders Agreement and the GS Supplemental Agreement, pursuant to which Beijing Goldman Sachs subscribed for 18,236,842 Shares (representing around 5.00% of the issued share capital of our Company at the transfer date) at a consideration of RMB300.0 million.

As at the Latest Practicable Date, Beijing Goldman Sachs held around 5.00% of the issued share capital of our Company. Immediately following completion of the Global Offering, assuming no exercise of the Over-allotment Option, Beijing Goldman Sachs will hold around 3.75% of the issued share capital of our Company.

Other information regarding the GS Investment:

Name of the investor	Beijing Goldman Sachs was established as a limited partnership in the PRC on 15 September 2011, with its registered address at Unit 1821, 18th Floor, 7 Finance Street, Xicheng District, Beijing 100037, PRC. Broad Street (Beijing) Investment Management Centre (Limited Partnership) (北京寬街博華投資管理中心(有限合夥)) and Broad Street (Beijing) 2011 Investment Center (Limited Partnership) (北京寬街博華貳零壹壹投資中心(有限合夥)) are the general partner and the limited partner of Beijing Goldman Sachs respectively. Broad Street (Cayman) GP Limited and Broad Street (Cayman) LP Limited are the general partner and the limited partner of Broad Street (Beijing) Investment Management Centre (Limited Partnership) (北京寬街博華投資管理中心(有限合夥)) respectively. Broad Street (Cayman) GP Limited and Broad Street (Cayman) LP Limited, both incorporated in the Cayman Islands, are offshore holding companies which are indirectly wholly owned by The Goldman Sachs Group, Inc., a company listed on the New York Stock Exchange (ticker symbol: GS). Beijing Goldman Sachs is primarily engaged in investment management, asset management, investment advisory and project investments.
Consideration paid	We received RMB300.0 million (less bank transfer fees) on 24 June 2013.
Basis of consideration	The consideration was agreed through commercial negotiations, based on Beijing Goldman Sachs' estimate of the future value of our Company, and was not calculated at a discount, or otherwise linked, to the Offer Price.

Investment costs per Share

$$\text{RMB16.45} = \frac{\text{Beijing Goldman Sachs' total investment amount (being the consideration received by us), being RMB300,000,000}}{\text{Total number of Shares currently held by Beijing Goldman Sachs, being 18,236,842 Shares}}$$

Use of proceeds and whether fully utilised	As at the Latest Practicable Date, we had fully utilised the consideration received from Beijing Goldman Sachs to fund the decorating of our retail points and purchase of fixed assets such as furniture and fittings for our retail points, and to fund the construction of our warehousing and logistics centre in Taicang.
Strategic benefits	We believe that the GS Investment demonstrated Beijing Goldman Sachs' confidence in our business and our future prospects as well as recognition of our current operating strengths.

The Shares held by Beijing Goldman Sachs will be subject to a one year lock-up period commencing from the date of the Qualified Listing in accordance with the PRC Company Law. Beijing Goldman Sachs is an Independent Third Party. The acquisition of Shares pursuant to the GS Investment Agreements was not financed directly or indirectly by any person connected to our Company.

Details of rights granted to Beijing Goldman Sachs and the 2010 Investors

As described below, Beijing Goldman Sachs and the 2010 Investors will not be entitled to any special rights arising from the GS Investment upon Listing. Under the GS Investment Agreements, the following rights of Beijing Goldman Sachs and the 2010 Investors shall: (i) be automatically suspended upon our Company receiving the CSRC'S acceptance notice of our application for the Qualified Listing; (ii) if suspended, automatically revive and have full effect upon the earliest of the occurrence of any of the following events: (a) the suspending, abandoning or withdrawing of our Qualified Listing plans or application for the Qualified Listing; (b) our application for the Qualified Listing not being approved by the CSRC, a qualified stock exchange (being the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or any other stock exchange as agreed by Beijing Goldman Sachs) or a local securities regulatory authority where such qualified stock exchange is located; (c) we do not receive the administration permit for the Qualified Listing issued by the CSRC within 12 months after receiving of their acceptance notice, or we fail to complete the Qualified Listing within 12 months after the receipt of such administration permit; or (d) the date on which the underwriters appointed by the Company for the Qualified Listing reasonably predict that any matter in (a) to (c) above will occur; and (iii) terminate upon the date of the Qualified Listing:

(1) if our Company does not complete the Qualified Listing by 24 June 2016, Beijing Goldman Sachs may exercise a put option by 21 December 2017 to require Mr. Xing Jiaxing and Shanghai Hexia to:

 (i) redeem part or all of Beijing Goldman Sachs' Shares at a price to be calculated based on the following formula:

 Redemption price = $E / F \times (G - H) \times (1 + 10\%)^N$

 E = number of Shares that Beijing Goldman Sachs intends to sell

 F = all the Shares owned by Beijing Goldman Sachs at the time of redemption

 G = RMB300.0 million

 H = any cash compensation paid by Beijing Goldman Sachs according to the GS Investment Agreements

 N is a fractional number. The numerator is the number of days from the date on which Beijing Goldman Sachs contributed to the corresponding registered capital up to the date on which Beijing Goldman Sachs receives the redemption price, and the denominator is 360; and

(ii) pay to Beijing Goldman Sachs all declared but unpaid distributions accruing on such Shares. If Mr. Xing Jiaxing and Shanghai Hexia are unable to fulfil their obligations within the stipulated time period, Beijing Goldman Sachs may require all 2010 Investors to: (i) sell all their Shares to a third party; or (ii) cause our Company to sell substantially all its assets or merge with other entities;

(2) the Board must include a GS Director and the GS Director must be a member of our budget committee;

(3) subject to applicable laws and the Articles of Association, our Company and its subsidiaries may not take certain corporate actions (including any form of company restructuring, any change in assets, shares, capital structure or control of our Company that requires board or shareholders approval under the Articles of Association, any amendment to Articles of Association or business licence, any change in number of board of directors or board of supervisors, any appointment, change or removal of accounting firm or material changes in accounting policies and any material changes in business nature or scope, or entry into different business sector) without seeking prior written consent from Beijing Goldman Sachs or the GS Director;

(4) Mr. Xing Jiaxing and Shanghai Hexia may not directly or indirectly transfer any of their Shares to a third party before the Qualified Listing without Beijing Goldman Sachs' written approval;

(5) Beijing Goldman Sachs and Good Factor have rights of first refusal over any Shares that Mr. Xing Jiaxing and Shanghai Hexia wish to transfer to any third party (other than the 2013 Investors). If Beijing Goldman Sachs or Good Factor does not exercise its right of first refusal, it has the right to exercise a tag-along right to sell a portion of its Shares (with the maximum number of Shares it can sell being the number of Shares held by it pro-rated against the total number of Shares held by the selling shareholder(s) and the shareholder(s) that exercised the tag-along right) to such third party buyer at the same price and under the same terms and conditions;

(6) Beijing Goldman Sachs has anti-dilution rights whereby our Company, Mr. Xing Jiaxing and Shanghai Hexia ensure that no new Shares (other than any Shares to be issued (i) pursuant to any share option scheme of the Company; (ii) under the Global Offering; (iii) pursuant to the exercise of such anti-dilution rights; or (iv) in relation to any scrip dividend declared by the Company) shall be issued at a lower price or more preferable conditions than that of the Shares subscribed by Beijing Goldman Sachs. If Beijing Goldman Sachs' anti-dilution rights are not adhered to, our Company and/or Mr. Xing Jiaxing and Shanghai Hexia shall compensate Beijing Goldman Sachs by taking one or more of the following actions (as determined by Beijing Goldman Sachs): (i) issuing additional Shares to Beijing Goldman Sachs at a price not less than the nominal value of our Company's registered capital; (ii) having the 2010 Investors who are jointly liable transfer their Shares at nominal consideration to Beijing Goldman Sachs; (iii) having the 2010 Investors who are jointly liable compensate Beijing Goldman Sachs in the form of cash; or (iv) other arrangements that are legally permitted; and

(7) if our Company is liquidated: (i) Beijing Goldman Sachs will have first priority to be paid out; (ii) following which, Good Factor will be next to be paid out; and (iii) thereafter, any remaining assets or proceeds will be distributed to all the then shareholders of our Company, in accordance with the terms of the GS Investment Agreements.

As at the Latest Practicable Date, we had received the acceptance notice from the CSRC for the Qualified Listing, and all the rights above have been automatically suspended.

Pursuant to the respective terms of the GS Investment Agreements, the following rights of Beijing Goldman Sachs and the 2010 Investors shall also terminate on the date of the Qualified Listing:

(1) the quorum for board meetings shall include the GS Director;

(2) so far as permitted under applicable laws, our Company and the 2013 Investors agree to waive all liabilities on the part of directors and supervisors (other than liabilities for gross negligence or wilful misconduct);

(3) the 2013 Investors have pre-emption rights in the event of an issuance of new Shares;

(4) our Company shall not give any party any rights and terms which are more favourable than those of Beijing Goldman Sachs without prior written consent from Beijing Goldman Sachs; and

(5) certain information rights enjoyed by Beijing Goldman Sachs and the 2010 Investors (including without limitation having the right to hire an auditor to audit our Company at any time, the right to be informed about material litigation or administrative investigation, and material developments that affect the operation of any Group members).

SPONSOR'S CONFIRMATION REGARDING PRE-IPO INVESTMENTS

After making reasonable enquiries, the Sole Sponsor confirms that the pre-IPO investments mentioned above are in compliance with the Interim Guidance (which is also the Guidance Letter HKEx-GL29-12), the Guidance Letter HKEx-GL43-12 and the Guidance Letter HKEx-GL44-12.

OUR OTHER SHAREHOLDERS AND THEIR INVESTMENTS IN OUR COMPANY DURING THE TRACK RECORD PERIOD

On 23 March 2010, Boxin First Phase and Shanghai Ronggao, pursuant to an equity transfer agreement, acquired a 20% equity interest and a 10% equity interest in our Company from Wuxi New Baolian Investment Co., Ltd. (無錫市新寶聯投資有限公司), at a consideration of RMB26,000,000 and RMB13,000,000, respectively. Wuxi New Baolian Investment Co., Ltd. (無錫市新寶聯投資有限公司) is an Independent Third Party and the consideration was determined through an asset valuation process.

On 7 August 2013, Boxin First Phase, pursuant to an equity transfer agreement: (1) transferred 19,437,042 Shares (representing 5.33% of the then issued share capital of our Company as at the transfer date) to Boxin China at a consideration of RMB293,091,000 (such funds, less bank transfer fees, were received by Boxin First Phase on 6 September 2013); and (2) transferred 4,045,263 Shares (representing 1.11% of the then issued share capital of our Company as at the transfer date) to Asia Alternatives Q Fund at a consideration of RMB60,999,000 (such funds, less bank transfer fee, were received by Boxin First Phase on 26 August 2013).

The Boxin Shareholders

Boxin First Phase, formerly known as Tianjin Boxin Phase I Investment Centre (Limited Partnership) (天津博信一期投資中心(有限合夥)), was established as a limited partnership in the PRC on 1 April 2008. Boxin First Phase's general partner is Boxin (Tianjin) Equity Investment Management Partnership (Limited Partnership) (博信(天津)股權投資管理合夥企業(有限合夥), and Boxin (Tianjin) Equity Investment Management Partnership (Limited Partnership) (博信(天津)股權投資管理合夥企業(有限合夥)'s general partner is Tianjin Xing Chao Investment Consultancy Limited Company (天津星朝投資諮詢有限公司). Boxin First Phase is an Independent Third Party.

Boxin China is a limited partnership established in the Cayman Islands on 28 June 2011, and its general partner is Boxin Capital Management Limited.

The Boxin group of funds focuses on corporate equity investment as well as mergers and acquisitions of enterprises which demonstrate promising potentials to benefit from the PRC's rapid economic development in their growth and mature stage before going public in the Greater China region, especially the PRC, and invested in a wide portfolio of companies ranging from, among others, modern agriculture, advanced manufacturing industry, information and communications, clean technology etc.

Asia Alternatives Q Fund

Asia Alternatives Q Fund was established as a limited partnership in the PRC on 5 March 2012. Asia Alternatives Q Fund's general partner is Asia Alternatives (Shanghai) Investment Management Co., Ltd. (鯤行(上海)股權投資管理有限公司), and Asia Alternatives (Shanghai) Investment Management Co., Ltd. (鯤行(上海)股權投資管理有限公司) is wholly owned by Asia Alternative Advisor Hong Kong Limited.

Asia Alternatives Q Fund invests in private equity fund managers across the PRC, Taiwan and Hong Kong, targets both private equity fund investment and direct co-investment opportunities, and is diversified across buyout, growth and expansion, venture capital and special situations funds.

Asia Alternatives Q Fund is an Independent Third Party.

Shanghai Ronggao

Shanghai Ronggao was established as a limited liability company in the PRC on 3 July 2009, and it primarily engages in private equity investments and venture capital investments. Its equity interests are owned by Zhejiang Aoxin Holding Group Co., Ltd. (浙江奧鑫控股集團有限公司) as to 20%, Shanghai Kunwei Industrial Co., Ltd. (上海坤維實業有限公司) as to 13.33%, Tonglu Lingxiu Investment Co., Ltd. (桐廬綾綉投資有限公司) as to 10% and other institutional and individual investors as to the remaining 56.67%.

Shanghai Ronggao is an Independent Third Party.

This section and other sections of this prospectus contain information relating to the PRC economy and the industry in which we operate. The information that appears in this section has been prepared by Euromonitor, an Independent Third Party market research firm which we commissioned, and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered to be the opinion of Euromonitor as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this section has not been independently verified by the Group, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Underwriters or any other party involved in the Global Offering and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

ABOUT EUROMONITOR

We commissioned Euromonitor, an Independent Third Party, to conduct research and analysis of, and to produce a report on, the PRC overall adult clothing and adult casualwear market, particularly the mass-market adult casualwear market and the mass-market ladies' casualwear market in the PRC.

Euromonitor has offices around the world, and analysts in 80 countries, providing trade and strategy research to support corporate strategic review, new business planning, product and brand management, competitive strategies and informed supplier relationships. Established in 1972, Euromonitor has more than 25 years of industry experience, providing trade and strategy research, and detailed local market analysis, and has accumulated over 15 years of industry experience in the PRC. Euromonitor has been engaged in a number of research projects in connection with initial public offerings in Hong Kong, and has specialised business intelligence on the PRC apparel and footwear industries. The report commissioned has been prepared by Euromonitor independent of our influence. We paid approximately RMB440,000 for the commissioned report by four installments on 25 July 2013, 22 August 2013, 24 July 2014 and 25 August 2014. Except for this report, we have not commissioned any other customised research report in connection with the Listing or this prospectus.

The objective of the research is to comprehensively, objectively and robustly assess the size and growth of the markets in question and analyse the competitive landscape and drivers in the market to provide an objective third-party viewpoint for the industry in which we operate.

RESEARCH METHODOLOGY AND SCOPE

Research Methodology

To generate an industry consensus as much as possible on the market size and growth of the adult clothing and casualwear markets in the PRC (including an understanding of the market share and competitive landscape within these industries), Euromonitor conducted trade interviews with multiple organisations, including clothing and casualwear manufacturers, distributors and retailers, as well as trade associations, for their opinions and insights. Euromonitor interviewed respondents from different departments within companies and multiple organisations across the value chain, enabling coverage of a range of issues and reconciliation of a wide spectrum of data and opinions. In addition, Euromonitor analysed data from various publicly available data sources, including those from relevant PRC government departments and established professional organisations such as the National Bureau of Statistics.

All of Euromonitor's sources were standardised and checked against other sources to ensure a robust research feed for analysis. Furthermore, a critical analysis of all sources was conducted, whereby Euromonitor compared data, insights and hypotheses to arrive at a set of qualified data and conclusions.

Euromonitor adopted its standard practice of both quantitative and qualitative forecasting in terms of projecting the market size by retail sales value, on the basis of an objective and in-depth review of the historical development of the relevant markets. This review was cross-checked with established industry figures and trade interviews.

The market projections in the Euromonitor Report are based on three key assumptions: (i) the overall political environment remains stable; (ii) the disposable income of the urban population and the gross income of the rural population of the PRC continue to increase at a steady pace and the economic environment in the PRC remains stable; and (iii) consumers' spending behaviours do not alter significantly and the social environment in the PRC remains stable.

Research scope and definition

We operate within the adult clothing market in the PRC. According to Euromonitor, "adult clothing" includes men's and ladies' formal wear, casualwear and sportswear; however, it does not include children's clothing, underwear and accessories. In particular:

- *Adult Casualwear* includes everyday-wear such as jackets, casual pants, cotton shirts, T-shirts, casual shirts and jeans. However, it does not include formal wear, sportswear and business-casual wear.

- *Mass-market Adult Casualwear* refers to Adult Casualwear that is considered mid-range or mass-market, not low-end or premium. It is defined based on mixed factors of retail prices, brand positioning and retail channels. Retail price is the major deciding factor.

- *Mass-market Men's Casualwear* includes products such as men's spring/summer shirts and winter coats, where the average retail price range is usually between RMB300 to RMB800, and RMB500 to RMB2500, respectively. Typical brands include: Jack & Jones, Zara Men and GXG.

- *Mass-market Ladies' Casualwear* includes products such as ladies' spring/summer shirts and winter coats, where the average retail price range is usually between RMB300 to RMB600, and RMB500 to RMB2,000, respectively. Typical brands include: La Chapelle, Only, Vero Moda and Ochirly.

Our business is focused on the mass-market ladies' casualwear market. Accordingly, the scope of this section is based on the adult clothing market in the PRC.

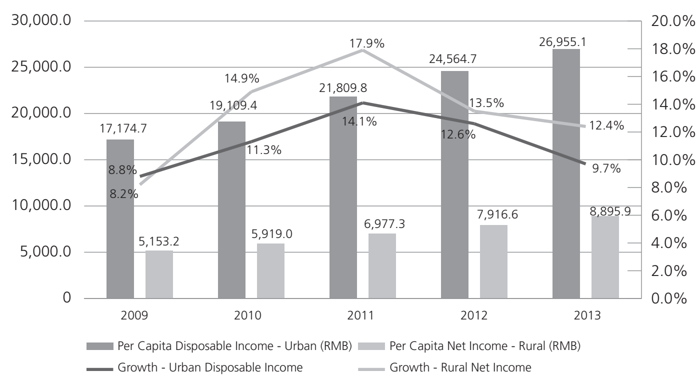
THE PRC MACRO ECONOMY

Stable Growth in the PRC Economy and Consumer Spending

Economic growth and rising demand underscores the growth in consumer spending on clothing. The PRC's economy has recorded double-digit growth rates for over three decades since the start of the PRC's economic reform and opening up since 1978.

In line with the trend of the growing PRC economy, the per capita disposable income of urban residents in the PRC increased from RMB17,175 in 2009 to RMB26,955 in 2013 with a CAGR of 11.9%, according to the National Bureau of Statistics. Meanwhile, the per capita gross income of rural residents grew from RMB5,153 to RMB8,896 during the same period with a CAGR of 14.6%, according to the National Bureau of Statistics. In correlation with rising income levels, consumers may be able to increasingly spend on social commodities beyond their basic daily needs. Social commodities include food, clothing and vehicles. According to the Euromonitor Report, consumers are increasingly discerning and demanding clothing that is fashionable and trendy, instead of clothing that might have been solely functional in nature.

China's Per Capita Disposable Income – Urban; China's Per Capita Net Income – Rural, 2009-2013

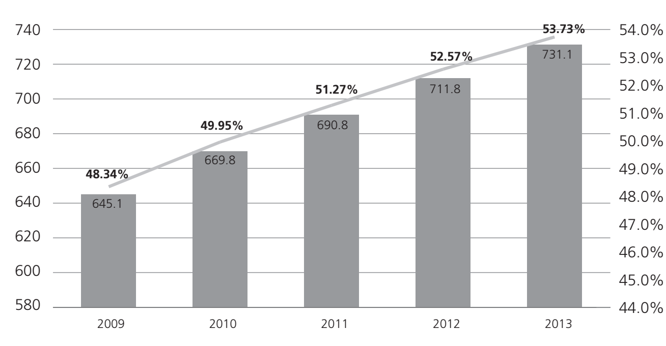


Source: National Bureau of Statistics of China

Continuous Pace of Urbanisation

According to the National Bureau of Statistics, the PRC's total population was approximately 1.36 billion in 2013, representing an increase of 0.5% from 2012. Out of the 1.36 billion population, the urban population was approximately 731 million and the rural population was approximately 630 million. The urban population as of the national total has been increasing from 48.3% in 2009 to 53.7% in 2013, and the urban population exceeded the rural population for the first time in 2011. The continuous pace of urbanisation, coupled with increasing income levels, presents unprecedented opportunities for the development of the PRC clothing market, particularly in relation to the mass-market segment.

Urban Population and its proportion relative to the National Total in the PRC, 2009-2013



Source: National Bureau of Statistics of China

Total Retail Value of Consumer Goods Continues to Increase

According to the National Bureau of Statistics, total retail value of consumer goods in the PRC nearly doubled from RMB13,268 billion in 2009, to RMB23,781 billion in 2013 with a CAGR of 15.7%, partly due to the PRC government's spending stimulus policy. The government's spending stimulus policy, together with economic growth, also created a favourable environment for the clothing industry, in line with the general growth in total retail value of consumer goods in the PRC.

Total Retail Value of Consumer Goods in China, 2009-2013

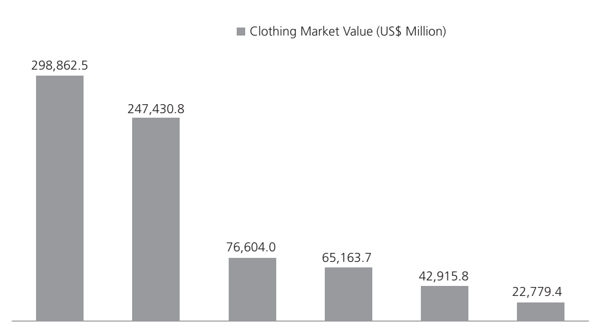
Source: National Bureau of Statistics of China

THE CLOTHING MARKET

The PRC is the Second Largest Clothing Market in the World

- With continued economic development and urbanisation, along with a large population base, the PRC was the second largest clothing market in terms of total retail sales value in 2013, with a market size of U.S.$247.4 billion, according to the Euromonitor Report. It was second only to the clothing market in the United States, which had a total retail market value of U.S.$298.9 billion in 2013.
- According to the Euromonitor Report, the combined market size of the PRC, Japan, South Korea, the United States, France and the United Kingdom accounted for around 53.1% of the world's clothing market in 2013.

Clothing Market Retail Value, 2013 – Selected Countries: the PRC, Japan, South Korea, the United States, France and the United Kingdom



Source: Euromonitor International Passport Data – Apparel & Footwear 2014

Comparison of Per Capita Spending on Clothing in the PRC and Other Countries

Per capita spending on clothing varies from country to country. According to the Euromonitor Report, while developing countries such as the PRC typically recorded lower per capita spending on clothing, they may experience higher growth in per capita spending during the same period, as compared to developed countries. For example, the per capita spending on clothing in the PRC was approximately U.S.$90.9 in 2009, but increased to approximately U.S.$165.6 in 2013, representing a CAGR of 16.2%. Comparatively, the CAGR for per capita spending on clothing during the same period for each of Japan, the United States and the United Kingdom, was 0.1%, 3.3% and 4.4% respectively, and where the per capita spending on clothing in 2013 for each of these three countries was approximately U.S.$669.4, U.S.$975.8 and U.S.$1,246.9, respectively.

According to Euromonitor, the strong CAGR for per capita spending on clothing can be attributed to rising income levels, the growing rate of urbanisation, the development of the retail industry, increasing fashion awareness and a general evolving lifestyle where Chinese consumers may be more willing to spend beyond basic daily needs.

In addition, the comparatively lower per capita spending on clothing in the PRC, as compared to the levels already attained in many other developed countries, also indicates a potential for further growth in the per capita spending on clothing in the PRC.

ADULT CLOTHING AND ADULT CASUALWEAR

Market Overview

Adult Clothing Market Recorded Healthy Growth

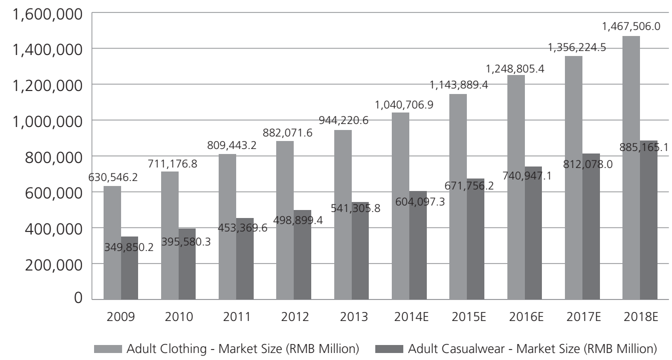
The PRC adult clothing market managed to achieve a value CAGR of 10.6% between the years from 2009 to 2013 in terms of retail market size, driven by the rapid expansion of international brands and the growth of domestic companies in the PRC.

Adult Casualwear Makes Up a Larger Share

Adult clothing is mainly classified into formal wear, casualwear and sportswear, of which casualwear is the most common type that suits the widest range of occasions on an everyday basis. During the past five years, the adult casualwear market has consistently accounted for more than half of the overall adult clothing market, in terms of market size, and is the primary driver of the adult clothing market.

The adult casualwear market can be sub-categorised into low-end, mass-market and premium segments, depending on an item's retail price and brand positioning. The low-end segment comprises very economical, and/or unbranded apparel produced by small-to-middle brand owners or even small workshops, the mass-market segment is the segment that both domestic and international fashion brands mainly compete for and the premium segment is composed of high-quality and expensive apparel from top international and Chinese brands. With an evolving lifestyle, where consumers in the PRC place greater emphasis on comfort and fashion, Euromonitor expects the adult casualwear market size to continue to grow, from RMB541.3 billion in 2013 to an estimated RMB885.2 billion in 2018, implying an estimated CAGR of 10.3%.

Retail Market Size, Adult Clothing and Adult Casualwear in China, 2009-2018E



E: Estimated

Source: Euromonitor desk research and trade interviews

MASS-MARKET ADULT CASUALWEAR

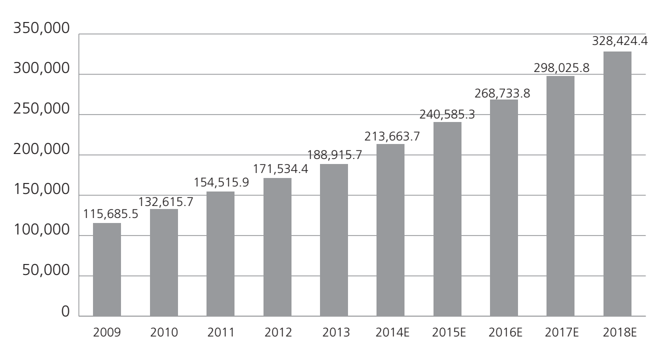
Market Overview

Mass-market Adult Casualwear Grows Faster

According to the Euromonitor Report, in 2013, the mass-market adult casualwear market in the PRC expanded by 10.1% year-on-year to reach RMB188.9 billion in total retail sales value. The strong growth in this category boosted mass-market adult casualwear sales to account for 34.9% of overall adult casualwear retail value sales in 2013 from 33.1% in 2009.

The mass-market adult casualwear market features a wide array of brands, reasonable pricing and a large group of consumers. Mass-market adult casualwear suits modern consumers' dressing needs of personality expression, individualisation and fashion, while allowing consumers to mix and match to find their unique style with affordable products. Compared to low-quality, non-descript low-end clothes and luxury apparel that target much smaller markets, mass-market adult casualwear caters to the needs of the mass consumer market. Euromonitor expects the future growth and outlook to be overall robust.

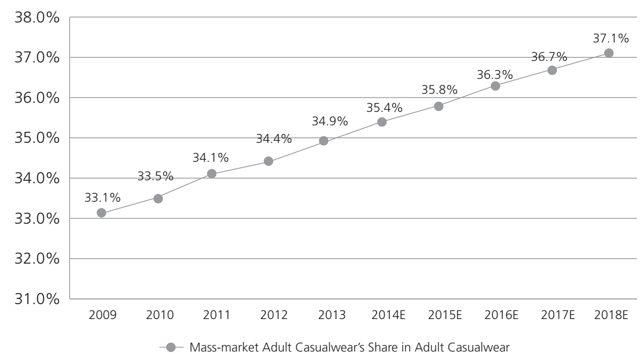
Retail Market Size and Growth Rate, Mass-market Adult Casualwear in China, 2009-2018E



E: Estimated

Source: Euromonitor desk research and trade interviews

Mass-market Adult Casualwear's Retail Value Share in Adult Casualwear in China, 2009-2018E



E: Estimated

Source: Euromonitor desk research and trade interviews

Competitive Landscape

Significant Growth of Domestic Brands

Among the top 10 players in the PRC mass-market adult casualwear market, in terms of total retail sales value in 2013, the top five are mainly international companies. However, Chinese domestic brands, with the advantage of understanding the local market and customers, have been able to effectively deploy their extensive retail network during the past three years, and are gaining market share. In fact, some of the Chinese domestic brands recorded growth rates in their total retail value that were generally higher than the growth rates experienced by each of the top two players between 2011 and 2013.

Top 10 Leading Players in Mass-market Adult Casualwear, 2011-2013

		2011		2012		2013	
Ranking	**Company**	**Retail Value (RMB million)**	**Market Share**	**Retail Value (RMB million)**	**Market Share**	**Retail Value (RMB million)**	**Market Share**
1	Bestseller	23,335.1	15.1%	27,044.5	15.8%	30,248.5	16.0%
2	E Land Group	7,058.6	4.6%	8,235.5	4.8%	8,770.4	4.6%
3	**La Chapelle**	**2,152.0**	**1.4%**	**4,463.0**	**2.6%**	**7,214.0**	**3.8%**
4	Fast Retailing Co Ltd (Uniqlo)	3,362.7	2.2%	4,745.5	2.8%	6,590.8	3.5%
5	Trendy Group International Holdings Ltd	4,598.8	3.0%	5,386.0	3.1%	5,989.2	3.2%
6	Inditex Industria de Diseño Textil SA (ZARA)	3,933.9	2.5%	5,118.6	3.0%	5,865.4	3.1%
7	Ningbo Peacebird Group Co., Ltd	2,849.1	1.8%	4,333.2	2.5%	5,820.3	3.1%
8	H&M Hennes & Mauritz AB	2,436.1	1.6%	3,549.5	2.1%	4,329.3	2.3%
9	Ningbo GXG Fashion Co., Ltd	2,979.7	1.9%	3,516.0	2.0%	4,120.8	2.2%
10	Etam Developpement SCA	3,887.0	2.5%	4,145.5	2.4%	3,889.4	2.1%
	Others	97,922.8	63.4%	100,997.1	58.9%	106,077.6	56.2%
	Total	**154,515.9**	**100.0%**	**171,534.4**	**100.0%**	**188,915.7**	**100.0%**

Source: Euromonitor desk research and trade interviews

Notes:

(1) Ranking order is according to 2013 total Retail Value.

(2) "Retail Value" means retail value of the mass-market adult casualwear products sold in the PRC (inclusive of value added tax).

(3) For a multi-brand fashion company or group such as La Chapelle, the "Retail Value" and "Market Share" represent all mass-market adult casualwear brands owned by such company or group.

(4) The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as for those companies that are included in the market shares but are not publicly listed with no publicly available revenue or sales data, Euromonitor has built the market shares based on estimates provided by multiple trade sources (i.e. not solely from the companies themselves) and having sought a consensus view on these estimates during our trade survey.

Multi-brand Strategy Commonly Adopted by Leading Players

Most of the top 10 leading players in the mass-market adult casualwear market adopt a multi-brand strategy to cater to the diversified needs of the PRC clothing market. One of the main characteristics of the multi-brand strategy is the segmentation of styles. If successfully planned and executed, the multi-brand strategy can help a company identify its target segments and cater to the diversified needs of different consumer groups. Many companies have also adopted the strategy to cross the gender line. For example, both Trendy Group International Holding Ltd and La Chapelle launched their menswear labels, Trendiano and La Chapelle Homme, in 2010 and 2011, respectively. By extending their product lines to include men's apparel, they expanded their respective target market and increased sales.

Market Consolidation to Increase

The Euromonitor Report describes the mass-market adult casualwear market as being inherently fragmented, where the top 10 players accounted for less than half of the overall market share from 2011 to 2013. According to Euromonitor, there are no substantive political or regulatory barriers to entry into the mass-market adult casualwear market.

As most of the leading players grew at a much higher rate than the industry's average, they were the main driver of growth for the entire industry. The leading players' rapid growth is largely attributable to two reasons: (i) retail network expansion by leveraging their relationship with national retail chains; and (ii) development of new brands through operation excellence to satisfy the demands of specific market segments. This expansion spearheaded by the top leading players is to continue in the near future, and Euromonitor expects consolidation to be sustained in the mass-market adult casualwear market.

MASS-MARKET LADIES' CASUALWEAR

Market Overview

Mass-market Ladies' Casualwear Continues to Expand in Size

Mass-market ladies' casualwear has a large consumer base and high level of receptiveness and popularity among female consumers as a result of its mid-range pricing, wide range of brand options and trendy designs. It recorded RMB123.3 billion in total retail sales value in 2013, which accounted for 65.3% of the total mass-market adult casualwear retail sales value in 2013 according to the Euromonitor Report. The market size has gradually been increasing during the past five years, and Euromonitor estimates the total retail sales value to be around RMB217.4 billion in 2018, implying an estimated CAGR of 12.0%.

The key drivers of the mass-market ladies' casualwear segment generally include: (i) a general trading-up trend associated with better educated and economically independent women striving to be more fashion-conscious and more willing to spend beyond their basic daily needs; (ii) easier and increased access to information about the latest fashion trends and development of the retail industry; and (iii) rapid expansion of the retail network, development of new brands, and encouraging sales. As our business mainly focuses on mass-market ladies' casualwear, the key drivers set out above also apply to our business.

According to the Euromonitor Report, the growth in mass-market ladies' casualwear market is driven by the following factors:

- With the acceleration of the urbanisation progress and more balanced regional development, market potential in less developed regions will be further exploited and market demand for clothing, especially mass-market adult casualwear will increase.

- Both international chains such as 'Inditex' and local players such as 'Peacebird' and 'La Chapelle' that have established a strong foothold in the PRC market by expanding retail outlet numbers and introducing new brands stimulated and drove the growth of the mass-market adult casualwear market in the historical period.

- The increase in participation in social life and quality of life resulted in women having higher requirements in terms of personal image and appearance. This group of economically independent women with higher social status is more fashion-conscious, and they are better-off and less price-sensitive. They intend to express personality and personal taste through their apparel. The increase in this group of consumers along with the general trading-up trend drive the growth of the mass-market ladies' casualwear market.

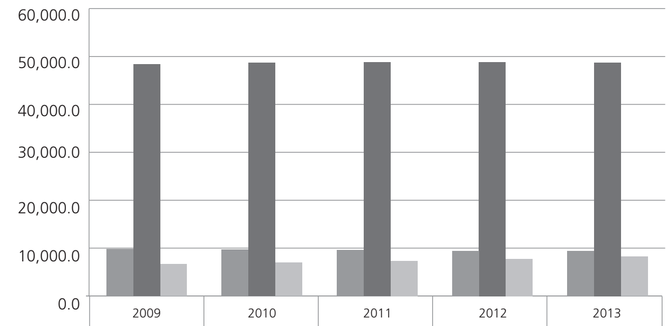
- Easier access to fashion information stimulates women's consumption. Chinese women today have easier access to information about the latest fashion trends with the development of information technology and media. Websites, TV shows, movies, fashion shows and celebrity news are all sources of fashion information, enabling them to get in touch with the most recent trends in New York, Paris, Tokyo and Hong Kong. Easier access to fashion information can stimulate potential demand. Besides, both international and domestic fashion brands in the PRC quickly respond to trends and provide trendy clothes for Chinese consumers, fulfilling their craving for new and popular clothing, therefore boosting the growth of the PRC's mass-market ladies' casualwear market.

Female Consumers Constitute Primary Casualwear Consumers

During the past five years, the mass-market ladies' casualwear market has consistently recorded higher total retail sales value compared to the mass-market men's casualwear market. In 2013, the mass-market ladies' casualwear market recorded RMB123.3 billion in total retail sales value, which was almost double the size of the equivalent for the men's market.

The 15 to 64 year old demographic, which represents 73.4% of the total female population in the PRC, includes the target market for mass-market ladies' casualwear. Euromonitor expects the PRC clothing market to continue to expand, largely driven by the increasing population in the PRC, rising income levels, growing consumer spending and heightened fashion consciousness.

Female Population by Age Group in China, 2009-2013



	2009	2010	2011	2012	2013
Aged 0-14 ('0,000)	9,812.9	9,698.5	9,559.8	9,435.0	9,396.8
Aged 15-64 ('0,000)	48,328.5	48,700.8	48,784.5	48,824.0	48,727.6
Aged 65+ ('0,000)	6,661.7	6,943.3	7,322.7	7,750.0	8,219.6

Source: Euromonitor International Passport – Countries & Consumers 2014

Retail Distribution

Traditional Channels Dominate

Stand-alone stores and department stores are the two largest distribution channels for mass-market ladies' casualwear. Stand-alone stores play an important role in increasing brand awareness and building brand image, while giving apparel companies more liberties in product display, organising promotion campaigns and cost control. Despite a smaller number of outlets, they are able to generate better per-store sales. As a traditional distribution channel for ladies' clothing, department stores have an inviting shopping environment, prime locations and a wide assortment of merchandise to attract female consumers. While online retailing has gained momentum in recent years, it is unlikely to challenge the position of stand-alone stores and department stores any time soon. In 2013, store-based retailing (including standalone stores and department stores) generated 90.6% of total retail value sales in the mass-market ladies' casualwear market, whereas non-store based retailing (which primarily refers to online retailing) only generated 9.4% of total retail sales.

Competitive Landscape

Top 10 Leading Players in Mass-market Ladies' Casualwear, 2011-2013

		2011		2012		2013	
Ranking	Company Name	Retail Value (RMB million)	Market Share	Retail Value (RMB million)	Market Share	Retail Value (RMB million)	Market Share
1	Bestseller	12,400.8	12.4%	14,211.9	12.7%	15,491.0	12.6%
2	E Land Group	5,815.3	5.8%	6,850.4	6.1%	7,329.9	5.9%
3	**La Chapelle**	**2,143.0**	**2.1%**	**4,382.0**	**3.9%**	**6,998.0**	**5.7%**
4	Trendy Group International Holdings Ltd	4,550.8	4.5%	5,266.0	4.7%	5,862.2	4.8%
5	Inditex Industria de Diseño Textil SA (ZARA)	2,538.5	2.5%	3,353.4	3.0%	3,892.3	3.2%
6	Etam Developpement SCA	3,887.0	3.9%	4,145.5	3.7%	3,889.4	3.2%
7	Fast Retailing Co Ltd (Uniqlo)	1,825.4	1.8%	2,570.2	2.3%	3,592.0	2.9%
8	Ningbo Peacebird Group Co., Ltd	1,701.3	1.7%	2,496.1	2.2%	3,362.0	2.7%
9	H&M Hennes & Mauritz AB	1,539.4	1.5%	2,242.9	2.0%	2,772.2	2.2%
10	The Basic House Co., Ltd	1,152.0	1.2%	1,308.1	1.2%	1,435.0	1.2%
	Others	62,594.9	62.5%	64,778.4	58.0%	68,670.3	55.7%
	Total	**100,148.4**	**100.0%**	**111,604.9**	**100.0%**	**123,294.3**	**100.0%**

Source: Euromonitor desk research and trade interviews

Notes:

(1) Ranking order is according to 2013 total Retail Value.

(2) "Retail Value" means retail value of the mass-market ladies' casualwear products sold in the PRC (inclusive of value added tax).

(3) For a multi-brand fashion company or group such as La Chapelle, the "Retail Value" and "Market Share" represent all mass-market ladies' casualwear brands owned by such company or group.

(4) The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as for those companies that are included in the market shares but are not publicly listed with no publicly available revenue or sales data, Euromonitor has built the market shares based on estimates provided by multiple trade sources (i.e. not solely from the companies themselves) and having sought a consensus view on these estimates during our trade survey.

Market Competition to Intensify

In the 1990s, a modern lifestyle featuring freedom and expression of personality started to influence the PRC's younger generation, which was reflected in a change in people's dressing style. Natural and comfortable casualwear became popular, and later the mainstream style. Some of the leading foreign brands started to enter the Chinese market in 1994 and mainly target mass-market ladies' casualwear.

The mass-market ladies' casualwear market is inherently fragmented, where the top 10 players accounted for less than half of the overall market share from 2011 to 2013. Some of the key participants in this market segment include Bestseller, E Land Group, La Chapelle, Zara, Etam and Uniqlo. According to the Euromonitor Report, there are no substantive political or regulatory barriers to entry into the mass-market ladies' casualwear market. After entering into the market however, according to the Euromonitor Report, whether an entrant is able to gain market share depends on whether it is able to find its target market and differentiate itself from the other brands in terms of product design and development; to build a new brand (as well as motivate consumers to abandon the existing brands they trust); to effectively deploy its retail network (such as being able to secure prime locations for retail points); and develop a strong supply chain management and warehousing and logistics infrastructure.

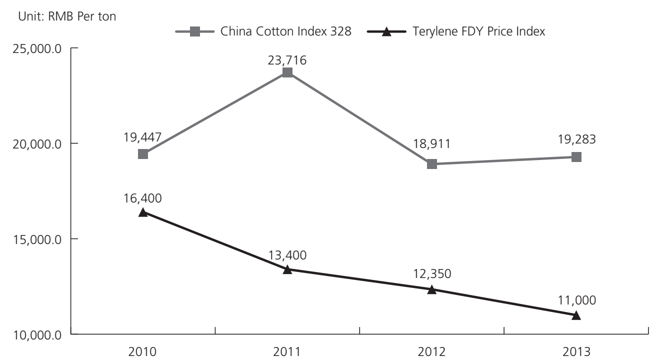
With a huge consumer base, rising purchasing power of consumers and enormous potential, the mass-market ladies' casualwear market in the PRC has become the main category that apparel retailers compete in. The market is generally fragmented, and both international brands and domestic brands are working to increase their market shares and brand awareness. Foreign players have accelerated expansion and expanded their distribution network from first-tier cities to lower-tier markets. Meanwhile, domestic brands have recorded even higher growth in recent years. For example, La Chapelle's mass-market ladies' casualwear reported retail sales growth of 104.5% and 59.7% in 2012 and 2013, respectively, and saw its market share expand rapidly. In addition to opening new stores, domestic companies have improved designs and services at retail points, expanded product offerings and optimised their outlet development system to boost same-store sales. Euromonitor expects competition in the mass-market ladies' casualwear market to remain intensified in the future.

Raw Materials of Mass-market Ladies' Casualwear Production

The key raw materials of mass-market ladies' casualwear production generally include cotton and terylene. The price of cotton experienced significant fluctuations during the Track Record Period. According to the China Cotton Association, the China Cotton Index 328 increased by approximately 22.0% from an average of RMB19,447 per tonne in 2010 to an average of RMB23,716 per tonne in 2011. In 2012, the China Cotton Index 328 decreased by approximately 20.3% to an average of RMB18,911 per tonne and increased by approximately 2.0% to an average of RMB19,283 per tonne in 2013.

Compared to cotton price, the price terylene declined during the Track Record Period. According to the China National Textile and Apparel Council, the Terylene FDY Price Index decreased by approximately 18.3% from RMB16,400 per tonne at the end of 2010 to RMB13,400 per tonne at the end of 2011. In 2012, the Terylene FDY Price Index decreased by approximately 7.8% to RMB12,350 per tonne at the end of 2012 and decreased by approximately 10.9% to RMB11,000 per tonne at the end of 2013.

The following chart illustrates the movement of the market prices of cotton and terylene in the PRC between 2010 to 2013:



Source: China Cotton Association and China National Textile and Apparel Council

Future Outlook

Mass-market Ladies' Casualwear to Maintain Rapid Growth

As Chinese women become more economically independent, they will play a bigger role in spending. Chinese women nowadays are more independent, confident and self-conscious about appearance and are fashion conscious. Women are willing to invest in their wardrobes, wishing to build their own styles to express personality and taste. Growing disposable income allows them to do so, translating potential demand into actual buying activity. In addition, international brands continue to accelerate their expansion in the PRC, while domestic brands improve on design capability and brand building. Both international and domestic brands are also penetrating lower-tier markets. As such, the growth of both the supply and demand sides will combine to push forward the PRC mass-market ladies' casualwear market, which will further expand its market size and continue to be a fast-growing category in apparel.

Although around seven out of the top ten leading players currently have an international background, domestic mass-market ladies' casualwear brands have witnessed strong growth momentum and a growing customer base. Euromonitor expects domestic companies to continue their strong performances, especially with them having had the experience of learning from and competing alongside large international brands, and developing their design, operation and promotion abilities.

No Material Adverse Change

As at the Latest Practicable Date, the Directors were not aware of any adverse change to the market information since the date of the Euromonitor Report which may materially qualify or contradict the information in this section.

OVERVIEW

We are a fast-growing multi-brand fashion group in the PRC that designs, markets and sells apparel products with a focus on mass-market ladies' casualwear. We strive to offer customers the latest fashions at competitive prices through a wide range of apparel products under eight brands, namely La Chapelle, La Chapelle Sport, 7.Modifier, Candie's, La Chapelle Homme, La Babité, La Chapelle Kids and Pote.

We have established a leading position in the mass-market ladies' casualwear segment in the PRC. According to the Euromonitor Report, we ranked third (in terms of market share based on retail sales), and had a market share (based on retail sales) of approximately 5.7%, in this market segment in the PRC in 2013, placing us ahead of some well-known international brands. Retail sales in this market segment in the PRC reached RMB123.3 billion in 2013, representing approximately 65.3% of the total retail sales in the mass-market adult casualwear segment in the PRC in 2013, according to the Euromonitor Report. Euromonitor estimates that retail sales in the mass-market ladies' casualwear segment in the PRC will reach approximately RMB217.4 billion in 2018 (representing a CAGR of approximately 12.0% from 2013 to 2018), which will represent approximately 66.2% of the estimated total retail sales in the mass-market adult casualwear segment in the PRC in 2018. While our business has a focus on ladieswear, we have diversified into menswear by launching La Chapelle Homme and Pote and into childrenswear by launching La Chapelle Kids.

We sell our products directly to retail customers through retail points (100% of which are directly controlled and operated by us) and, since August 2014, through our online flagship store on Tmall (a well-known business-to-customer online shopping platform in the PRC). This direct retail sales model sets us apart from the majority of our competitors. As at 30 June 2014, our extensive nationwide retail network comprised 5,671 retail points located in approximately 1,900 physical locations, comprising mainly department stores and shopping malls, in cities across all 31 provinces, autonomous regions and municipalities in the PRC.

We have adopted a business model that enables us to focus on our core strengths in product design, brand development and retail network management. We outsource the production of all our products to third party manufacturers in the PRC. Most of our third party manufacturers procure raw materials based on our requirements, produce the products based on our designs and sell the finished goods to us. We believe that our business model puts us in a position to promptly respond to market changes and to minimise excess inventories.

Our revenue increased significantly during the first three financial years of the Track Record Period, from RMB1,864.2 million in FY2011 to RMB3,872.1 million in FY2012 and RMB6,225.1 million in FY2013, representing a CAGR of 82.7%. Our revenue increased from RMB2,799.9 million for 1HFY2013 to RMB3,510.8 million for 1HFY2014, representing an increase of 25.4%. Our net profit increased from RMB123.0 million in FY2011 to RMB259.6 million in FY2012 and RMB413.4 million in FY2013, representing a CAGR of 83.3%. Our net profit increased from RMB169.0 million for 1HFY2013 to RMB230.6 million for 1HFY2014, representing an increase of 36.4%.

OUR COMPETITIVE STRENGTHS

We believe that our following strengths have been key to our growth and have enabled us to compete successfully:

Leading position in the mass-market ladies' casualwear segment in the PRC and well-placed to capture growth opportunities in the world's second largest clothing market

Leading position in the PRC mass-market ladies' casualwear segment

We are a fast-growing multi-brand fashion group in the PRC and offer a wide range of apparel products. We have established a leading position in the mass-market ladies' casualwear segment in the PRC. According to the Euromonitor Report, we ranked third (in terms of market share based on retail sales), and had a market share (based on retail sales) of approximately 5.7%, in this market segment in the PRC in 2013, placing us ahead of some well-known international brands.

Well-positioned to capture growth opportunities

We believe that our leading position in the mass-market ladies' casualwear segment in the PRC together with our extensive nationwide retail network, strong product design capabilities, multi-brand strategy and experienced management team place us in a strong position to capture growth opportunities in the PRC clothing market.

According to the Euromonitor Report, retail sales in the PRC clothing market and the PRC adult clothing market reached U.S.$247.4 billion and RMB944.2 billion, respectively, in 2013, making the PRC the second largest clothing market in the world. Retail sales in the PRC adult clothing market are expected to grow further at a CAGR of approximately 9.2% from 2013 to 2018 and to exceed approximately RMB1,467.5 billion in 2018, according to the Euromonitor Report. This growth potential is reflected, in part, in the relatively low per capita annual expenditure on clothing in the PRC. According to the Euromonitor Report, per capita annual expenditure on clothing in 2013 was approximately U.S.$165.6 in the PRC, compared to approximately U.S.$975.8, U.S.$1,246.9 and U.S.$669.4 in the United States, the United Kingdom and Japan, respectively.

Direct control and operation of 100% of the retail points for our products

High degree of autonomy and control

As we directly control and operate 100% of the retail points for our products, we believe that we are able to implement our management's decisions, execute our pricing and sales strategies and carry out marketing activities in a prompt and uniform manner across our entire retail network. Without having to rely on wholesale distributors or franchisees, we believe that we enjoy greater flexibility in adjusting our expansion plans to respond to changes in market conditions. In addition, we directly recruit and train sales staff and control the style of decoration at each of our retail points. We believe that we are in a position to provide customers with a consistent shopping experience regardless of which retail points they patronise. This direct sales model also gives us the flexibility to offer additional after-sales services to our customers, such as product exchange and sales returns at different retail points.

Highly transparent and closely monitored inventory levels

Each of our retail points has a POS system that is linked to the SAP ERP system at our headquarters. Our integrated POS and ERP systems capture sales data and inventory movements at each of our retail points and allow our management team to access this information on a daily basis, enhancing our ability to monitor and manage our inventory levels across our retail network. We believe that having access to this daily captured information also allows us to optimise our sales and marketing strategies.

First-hand market intelligence and direct customer feedback

Compared to our competitors that rely on wholesale distribution or franchise models, we believe that our direct sales model puts us in a better position to obtain first-hand market intelligence in terms of market trends and customer preferences in different regions in the PRC and to collect direct customer feedback. We believe that such first-hand and direct knowledge enables our management to promptly respond to market changes. It also allows us to adopt a customer-focused approach in our business operations, including product design and development, procurement, inventory management, marketing and brand-building, pricing strategies and promotional activities.

Extensive nationwide network of retail points located at prime locations in the PRC

During the Track Record Period, we significantly expanded our retail network. The number of our retail points increased by 81.4% from 1,841 as at 31 December 2011 to 3,340 as at 31 December 2012, and further increased by 61.2% to 5,384 as at 31 December 2013. As at 30 June 2014, our extensive nationwide retail network comprised 5,671 retail points and our retail points were located in approximately 1,900 physical locations, comprising mainly department stores and shopping malls, across all 31 provinces, autonomous regions and municipalities in the PRC. We have established a solid presence in Tier I Cities, with 591 retail points as at 30 June 2014, especially in Shanghai where our headquarters are based.

In addition, we have increased our geographic coverage in Tier II Cities and Tier III Cities, which we believe have stronger growth potential and less intense competition compared to Tier I Cities. The number of our retail points in Tier II Cities and Tier III Cities significantly increased from 1,182 as at 31 December 2011 to 3,545 as at 30 June 2014, representing 62.6% of the total number of our retail points as at 30 June 2014. Our extensive coverage has enabled us to build up our customer base and brand recognition in Tier II Cities and Tier III Cities, which, we believe, gives us a competitive advantage to capitalise on an expanding middle class and rising disposable income in the PRC.

We strategically locate our retail points within well-known department stores (such as New World, Parkson, Bailian, Maoye, Rainbow, Wanda, Silver Plaza and Dayang) or major shopping malls (such as Wanda and CapitaLand) in the PRC, or on streets with visibility and customer traffic. We believe that these prime locations provide significant exposure for our brands and ease of access to a high volume of our target customers. Locating our retail points within department stores and shopping malls also allows us to leverage their marketing campaigns and promotional activities.

Strong product design and development capabilities with frequent and diversified product offerings

Frequent flow of new styles and wide range of products

Since our 2011 summer collection, our in-house design teams have offered customers at least 800 new clothing and accessory designs each season. We have been introducing new styles into the product offerings at our retail points approximately every 7 to 15 days throughout each season from 2012. We believe that this frequent flow of new styles encourages customers to repeatedly visit our retail points, provides them with a fresh shopping experience and encourages them to purchase our products during each visit. In addition, our wide range of products caters for the needs of customers in different occasions. We believe that rising disposable incomes and other economic developments in the PRC have led to a growing desire among customers for having different styles of outfits for different occasions.

Strong in-house design teams

Our in-house design teams design substantially all of our products. As we provide training to our designers from time to time, most of our designers have an intimate knowledge of our brands and our history, development and culture. As at 30 June 2014, our in-house design teams comprised 208 designers. The majority of our senior designers have more than five years of working experience in clothing or accessories design.

Customer-focused product development

Our customer-focused product development process involves close co-operation among our product planning, design, procurement and sales teams to detect and promptly respond to the evolving needs and tastes of our target customers groups. We believe that the first-hand market intelligence and direct customer feedback obtained from our retail points play an important part in our product development process and enable us to design products that reflect the prevailing fashion trends and appeal to the preferences of our target customers.

Multi-brand strategy that enables us to access a wider customer base and to diversify the sources of our revenue

We offer a wide range of apparel products under eight brands, namely La Chapelle, La Chapelle Sport, 7.Modifier, Candie's, La Chapelle Homme, La Babité, La Chapelle Kids and Pote. Historically, substantially all of our revenue was derived from sales under La Chapelle and La Chapelle Sport, which were launched in 2001 and 2003, respectively. Since the beginning of 2011, we have launched five new brands, which have enabled us to access a wider customer base in terms of age, taste, preference, lifestyle and gender and have provided us with an opportunity to diversify the sources of our revenue from different customer groups. During the Track Record Period, revenue from sales under our newer brands displayed faster growth than the revenue from our sales under La Chapelle and La Chapelle Sport. In addition, contribution of the newer brands to our total revenue also increased during the Track Record Period, from 3.6% in FY2011 to 11.5% in FY2012, 26.3% in FY2013 and 32.5% in 1HFY2014.

We require our design teams to have an in-depth understanding of the brands they design. In order to better leverage the synergies among our brands, we sometimes place retail points of different brands next to each other or house them together in a multi-brand retail outlet or a multi-level flagship retail outlet. We believe that locating retail points of different brands within the same department store or shopping mall also puts us in a better bargaining position with the department store or shopping mall. We also believe that having a portfolio of different brands in different stages of their respective life-cycles will enable us to maintain sustainable growth and diversify risks across different market segments.

Experienced management team that cultivates an on-going learning and development culture

We have a strong management team from diverse backgrounds with substantial experience and expertise. In particular, Mr. Xing Jiaxing, our founder, Chairman, Chief Executive Officer and an executive Director, has over 20 years of experience in the PRC clothing industry. Over the years, our management team has accumulated intimate knowledge of the PRC clothing industry, and developed strong relationships with key market participants. Their extensive experience and vision have enabled us to anticipate market trends and achieve strong growth in recent years.

Members of our senior management share a belief that the on-going development of our employees is critical to our success. They place a strong emphasis on learning and development. We provide our employees with tailored training programmes that are designed to upgrade their skills and knowledge and to prepare them for the next step in their career path. We also invite external speakers to conduct seminars on specific topics for our employees on a regular basis. We also arrange for selected members of our management-level employees to attend Executive Master in Business Administration programmes at leading universities in the PRC.

OUR BUSINESS STRATEGIES

We adopt the following strategies to enhance our overall competitiveness and to increase our market share in the future:

Strategically expand our retail network and implement an O2O strategy to target growth opportunities in the PRC clothing market

Retail network

We plan to further expand our retail network and increase our penetration into our existing markets. In particular, we plan to target regions and cities in the PRC with large populations, rising disposable income and established retail infrastructures. We believe that there are opportunities for further expansion of our retail network in the PRC and that our leading position in the mass-market ladies' casualwear segment in the PRC and our extensive coverage in Tier II Cities and Tier III Cities provide us with a solid foundation to capture growth opportunities and to increase our market share. Since the beginning of 2014, we have implemented a classification system for the locations where we intend to open retail points based on the estimated sales volume that may be generated by a retail point at the relevant locations, which we believe will help us to better assess potential locations and to improve the quality and profitability of our retail network.

We plan to further diversify our retail channels by locating a larger proportion of our retail points within shopping malls and establishing more multi-brand retail outlets and multi-level flagship retail outlets. According to the Euromonitor Report, shoppers in the PRC, particularly those in Tier I Cities, are moving away from department stores and gravitating toward shopping malls in search for more novel shopping experiences. The total number of shopping malls in the PRC is expected to increase from approximately 2,800 at the end of 2011 to more than 4,000 by the end of 2015, according to the Euromonitor Report. We also believe that our multi-brand retail outlets and multi-level flagship retail outlets offer customers an appealing one-stop shopping experience and enable us to better leverage the synergies among our brands. In addition, these multi-brand retail outlets and multi-level flagship retail outlets allow us to showcase our latest products from different brands and play a marketing role in raising the profile of our brands.

O2O strategy

In order to access the rapidly growing online retail market in the PRC, in August 2014, we launched our online flagship store on Tmall (a well-known business-to-customer online shopping platform in the PRC). In addition to enabling us to access a wider range of end customers with different shopping behaviours, our online flagship store provides us with an additional source of market intelligence and customer feedback. This reinforces our customer-focused approach in our business operations, including product design and development, procurement, inventory management, marketing and brand-building, pricing strategies and promotional activities.

Our online retail presence also represents the first step in implementing our O2O strategy to take advantage of the potential synergies between offline and online retail channels. Our O2O strategy aims at integrating traditional physical stores with online channels. We believe that our online flagship store will enhance customers' awareness of our brands and attract online customers to our retail points and that customers who have gained familiarity with our brands and experienced our services at our retail points will have greater confidence in our products offered through our online flagship store. We also believe that we will be able to take advantage of our extensive nationwide retail network to provide logistics and warehousing support for our online sales (such as pick-up-at-store and store-to-door services). In order to strengthen our O2O strategy, we intend to offer our products on additional online shopping platforms (including those accessible through personal mobile devices) operated by ourselves or third parties at appropriate times in the future.

With the development of information technology, we believe that today's customers are increasingly expecting to interact with retailers across online and offline channels. To this end, we also plan to adopt an omni-channel approach by aligning and synchronising all our retail channels to provide customers with a seamless and integrated shopping journey.

Reinforce our multi-brand strategy with more effective brand positioning to capture new market opportunities

We intend to reinforce our multi-brand strategy with more effective brand positioning to better align our brands with their respective target customer groups. We believe that there is a growing demand in the PRC for clothing products that reflect personal, social and lifestyle identities. To this end, we plan to further emphasise the respective underlying essences and identities of our brands. We believe that this strategy will increase our penetration into our target customer groups and increase our sales by meeting different market demands.

In order to better position ourselves for the growth of the PRC clothing market, we launched several new brands in recent years that target other segments of the PRC clothing market that we believe have growth potential, such as 7.Modifier and La Babité in 2012. While our business has a focus on ladieswear, we have diversified into menswear by launching La Chapelle Homme and Pote and into childrenswear by launching La Chapelle Kids. Revenue from our sales under our newer brands, as a percentage of our total revenue, has increased as a result of our effective brand positioning and on-going investment in promoting these brands. We will continue to seek to identify other segments of the PRC clothing market with growth potential and capture new market opportunities by launching or acquiring new brands.

Focus on increasing Same Store Sales to achieve sustainable growth

We consider it important to maintain a balance between opening new retail points and improving the profitability of our existing retail points. We have implemented, and will continue to implement, a series of measures to increase the Same Store Sales of our retail points. We have amended our employee bonus policies to provide greater incentives to our sales managers and staff. Depending on the market conditions, we may adjust the pricing of our products strategically to stimulate sales of our products. In addition, we will consider adopting simpler designs and a more open layout when decorating our retail points, which we believe will decrease expenses relating to opening retail points and other operating expense by, for example, reducing the number of sales staff required at a retail point. Please refer to "Financial Information – Explanation of Same Store Sales" for detailed discussion about Same Store Sales and our historical performance.

Strengthen supply chain management and enhance warehousing and logistics infrastructure

In order to enhance the responsiveness and flexibility of our supply chain and to maintain tighter control over the quality of our products, we intend to focus on building up long-term relationships with a select group of third party manufacturers within our existing pool of suppliers. We will continue to require our third party manufacturers to submit a sample of the proposed raw materials to us for quality evaluation and approval before using them in the production of our products. We believe that building up long-term relationships with a select group of third party manufacturers and entrusting them with the responsibilities for sourcing high-quality raw materials will enable us to streamline our supply chain and inventory management while improving the quality of our products.

We also intend to better align our warehousing and logistics infrastructures with our expansion plans for our retail network. As at the Latest Practicable Date, we had completed the first phase construction of our regional warehousing and logistics operations centre in Taicang, Jiangsu Province. It commenced the test-run in late June 2014 and commenced operations in August 2014. In additional to our Taicang centre, we occupy three smaller warehousing and logistics centres under leases. We intend to acquire more land to develop additional warehousing and logistics centres in preparation for the future expansion of our retail network. We believe the enhancements to our warehousing and logistics infrastructures will enable us to deliver our products to our retail points more efficiently.

Optimise and upgrade our information systems

As we intend to continue to directly operate and manage our existing and future retail points, our information systems are important to our ability to closely monitor and control our inventory levels. In order to prepare for our growing business and for the further implementation of our O2O strategy, we plan to upgrade our existing SAP ERP system, set up a new data centre and a data backup centre and roll out a number of new systems to enhance the management of different stages of our operations.

As an important step in the implementation of our O2O strategy, we are also in the process of rolling out an Order Management System (OMS) to coordinate and allocate orders from online retail channels and retail points.

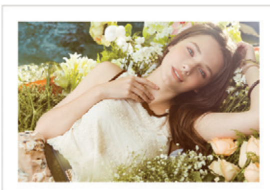
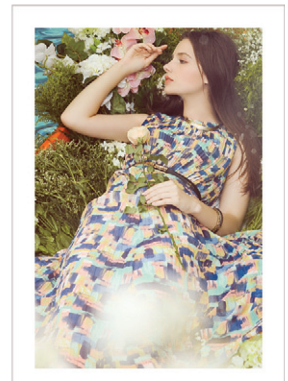
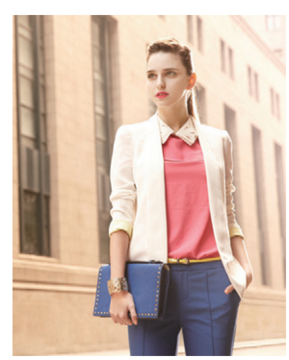
Strengthen product design and development capabilities and improve corporate management

As we seek to captivate customers with the latest fashions at competitive prices, our ability to consistently offer customers a wide range of fashionable and high-quality apparel products is critical to our success. We intend to allocate additional resources to strengthen our product design and development capabilities through recruitment and training. We believe that customers are becoming more sophisticated and discerning and that there is a growing desire among customers for having different styles of outfits for different occasions. We plan to continue to strengthen our product design and development capabilities to keep pace with the evolving needs and tastes of our target customers.

We believe that improving the effectiveness and efficiency of our corporate management and enhancing our internal control systems are critical to the success of our growing business. To this end, we plan to set up a management school in Shanghai to provide training for our employees. We also believe that this is a key initiative in our ongoing efforts to retain and attract competent personnel to support our future development.

OUR BRANDS

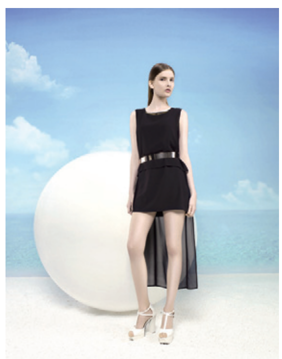
Each of our brands has its own style and image and targets a different customer group. La Chapelle, La Chapelle Sport, 7.Modifier, Candie's and La Babité are our brands for women. La Chapelle Homme and Pote are menswear brands. La Chapelle Kids is our childrenswear brand.

Brand	Logo	Year of Launch[(1)]	Style and Image
La Chapelle	La Chapelle	2001	Elegant, classic and romantic
			
La Chapelle Sport	La Chapelle SPORT	2003	Casual, fun and stylish
			
Candie's	Candie's	2010	Exquisite, witty and trendy
			

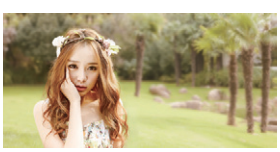
Brand	Logo	Year of Launch(1)	Style and Image
La Chapelle Homme	LA CHAPELLE HOMME	2011	Classic and retro



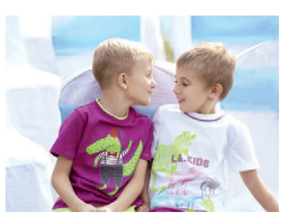

7.Modifier	7.Modifier	2012	Refreshing, joyful and confident

La Babité	La Babité	2012	Refreshing and stylish mixed with Japanese style




La Chapelle Kids	La Chapelle Kids	2013	Joyful, casual and stylish

Brand	Logo	Year of Launch[(1)]	Style and Image
Pote	POTE	2013	Vibrant and comfortable




Note:

(1) The year of launch with respect to a brand (except La Chapelle, La Chapelle Sport and Candie's) represents the year in which we began registering sales under such brand. The year of launch with respect to La Chapelle represents the year in which we started operations under the name "Shanghai Xuhui La Chapelle Fashion Limited", which was our predecessor and the then owner of the "La Chapelle" trademark. The year of launch with respect to La Chapelle Sport represents the year in which we received the acceptance notice from relevant PRC authorities for our trademark registration application. The year of launch with respect to Candie's represents the year in which we entered into an agreement for the acquisition of the ownership of the "Candie's" trademark.

La Chapelle and La Chapelle Sport, which have the longest history and greatest customer loyalty among all of our brands, accounted for the majority of our revenue during the Track Record Period. In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, the combined revenue from our sales under these two brands amounted to RMB1,797.1 million, RMB3,427.6 million, RMB4,592.6 million, RMB2,182.3 million and RMB2,370.9 million, respectively, representing approximately 96.4%, 88.5%, 73.7%, 77.9% and 67.5%, respectively, of our revenue for the corresponding years and periods. For information about our revenue from sales under each of our brands during the Track Record Period, please refer to "Financial Information – Discussion of Results of Operations".

In order to better position ourselves for growth of the PRC clothing market, we launched several new brands in recent years, such as 7.Modifier and La Babité in 2012, that target other segments of the PRC clothing markets that we believe have growth potential. While we focus on ladieswear, we have diversified into menswear by launching La Chapelle Homme and Pote and into childrenswear by launching La Chapelle Kids.

In July 2014, we entered into a joint venture agreement pursuant to which we agreed to set up a Sino-foreign joint venture, Marc Ecko China, with ICL-Marc Ecko for the purpose of launching Marc Ecko, a menswear brand, in the PRC. Please refer to "– Brand Development".

During the Track Record Period, our revenue attributable to our newer brands significantly increased as a percentage of our total revenue. Going forward, we intend to continue to focus on enhancing the brand awareness of our newer brands and further increasing their contribution to our revenue. At the same time, we aim to maintain stable growth of sales under the La Chapelle and La Chapelle Sport brands and strategically extend the coverage of these two brands to regions and cities with high growth potential.

Brand Development

Brand development is one of the most important stages of our business operations. We believe that our ability to accurately position each new brand materially affects our sales under that brand and is critical to our success. As at the Latest Practicable Date, each of our brands had been created by us (except for Candie's, which we acquired as part of our investment in Candie's Shanghai).

The creation of a new brand typically involves the formulation of an initial concept by our chief executive officer and senior management, internal discussions and market studies about the new brand and its position, and production of designs for products to be sold under the new brands.

Based on our experience, developing a new brand requires substantial time and capital resources, and the success of a new brand may be affected by a number of risks associated with brand positioning, pricing strategy and product design. We had an unsuccessful experience in developing a new brand in the past. Please refer to "Risk Factors – Risks Related to Our Business and the Clothing Industry – We cannot guarantee that the launch of each of our new brands will be successful". However, we consider this experience valuable for us in improving our approach to developing new brands. We now focus on developing brands that are consistent with our mass-market focus. We have launched several new brands in recent years and our revenue from our sales under these new brands, as a percentage of our total revenue, has increased as a result of our effective brand positioning and on-going investment in promoting these new brands.

In July 2014, we entered into a joint venture agreement pursuant to which we agreed to set up a Sino-foreign joint venture, Marc Ecko China, with ICL-Marc Ecko for the purpose of launching Marc Ecko, a menswear brand, in the PRC. ICL-Marc Ecko is a subsidiary of Iconix Brand Group Inc., a brand management company listed on the NASDAQ in the United States that owns, licenses and markets a portfolio of consumer brands worldwide, particularly in the United States.

Under the joint venture agreement: (a) we have agreed to subscribe for 85% of the equity interest in the registered capital of Marc Ecko China by contributing RMB12.75 million in cash to the registered capital of Marc Ecko China; and (b) ICL-Marc Ecko has agreed to subscribe for the remaining 15% of the equity interest in the registered capital of Marc Ecko China by contributing the exclusive right to use the "Marc Ecko" trademark in the PRC, Hong Kong, Macau and Taiwan (which is appraised to be approximately RMB2.25 million). We will be responsible for the day-to-day operation and management of Marc Ecko China while ICL-Marc Ecko will be responsible for brand development and provision of brand image and marketing and design support. The board of directors of Marc Ecko China will consist of three directors and we are entitled to nominate two directors (with one of them being the chairman of the board) while ICL-Marc Ecko is entitled to nominate the remaining one director. With regard to profits sharing, the profits of Marc Ecko China will be shared between the Company and ICL-Marc Ecko in accordance with their respective equity interests in Marc Ecko China. However, no dividends will be distributed to us or ICL-Marc Ecko within the first five years of the establishment of Marc Ecko China. The duration of the joint venture will be 30 years following the date of the business licence of Marc Ecko China. Upon termination of the joint venture, the board of directors of Marc Ecko China is required to set up a winding-up committee, consisting of three members, two of whom will be nominated by us and the other will be nominated by ICL-Marc Ecko. Such winding-up committee will dispose of the assets of Marc Ecko China and share the proceeds (after deducting debts and expenses) between the Company and ICL-Marc Ekco in accordance with their respective equity interests in Marc Ecko China. Upon ICL-Marc Ecko ceasing to be a shareholder of Marc Ecko China or upon termination of the joint venture, we will be required to transfer the "Marc Ecko" trademark back to ICL-Marc Ecko for a consideration of U.S.$1.00.

Upon its incorporation, we will have a 85% equity interest in Marc Ecko China and it will be accounted for as our subsidiary. The remaining 15% equity interest will be held by ICL-Marc Ecko. As at the Latest Practicable Date, we have not obtained all relevant regulatory approvals for the establishment of Marc Ecko China.

Brand Management

In order to effectively implement our multi-brand strategy, we operate and manage each of our brands as an independent unit in a number of ways. Each of our brands (other than Pote) has retail points under its brand name and each of our brands has an individual SKU number, based on which we record and report our sales under such brand. We have a dedicated design team for each of our brands and have a production team for each of our brands to handle the outsourced production arrangements with third party manufacturers relating to such brand.

La Chapelle Homme and Pote are two menswear brands, which were launched in 2011 and September 2013, respectively. As Pote has a relatively short track record compared to La Chapelle Homme, our management considers it important to leverage the existing resources of La Chapelle Homme to develop and operate Pote while it is in the process of establishing its market presence. These two brands are currently operated and managed as one menswear unit in terms of retail points and production arrangements with third party manufacturers. Accordingly, the sales under these two brands are reported together. In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, revenue from sales under La Chapelle Homme and Pote amounted to RMB4.9 million, RMB72.1 million, RMB188.9 million, RMB70.8 million and RMB137.0 million, respectively, representing 0.3%, 1.9%, 3.0%, 2.5% and 3.9%, respectively, of our revenue for the corresponding years and periods.

OUR PRODUCTS

We seek to captivate customers with the latest fashions at competitive prices. Our wide range of products caters to the needs of customers for different occasions. Under each of our brands, we offer new products designed to appeal to the target customers of the brand on a seasonal basis under our spring, summer, autumn and winter collections. Since our 2011 summer collection, we have offered customers at least 800 new clothing and accessory designs each season. We have been introducing new styles into the product offerings at our retail points approximately every 7 to 15 days throughout each season from 2012. We believe that this frequent flow of new styles encourages customers to repeatedly visit our retail points, provides them with a fresh shopping experience and encourages them to purchase our products during each visit.

Our product offerings vary from brand to brand and can be grouped into four major categories, namely tops, bottoms, dresses and accessories. The following table sets out a breakdown of our revenue by product category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	RMB thousands	% of total	RMB thousands	% of total	RMB thousands	% of total	RMB thousands (unaudited)	% of total	RMB thousands	% of total
Tops	1,289,590	69.2	2,468,026	63.7	3,622,189	58.2	1,477,961	52.8	1,963,346	55.9
Bottoms	192,192	10.3	322,775	8.3	536,714	8.6	251,015	8.9	361,580	10.3
Dresses	369,499	19.8	1,059,763	27.4	2,036,077	32.7	1,057,668	37.8	1,176,310	33.5
Accessories	12,886	0.7	21,554	0.6	30,107	0.5	13,285	0.5	9,528	0.3
Total	1,864,167	100.0	3,872,118	100.0	6,225,087	100.0	2,799,929	100.0	3,510,764	100.0

Retail prices of our 2013 autumn and winter collections and 2014 spring and summer collections ranged from RMB39 to RMB3,599 per unit and RMB39 to RMB899 per unit, respectively. The following table sets out the approximate retail price range of our products in FY2013 with breakdown by product categories and brands:

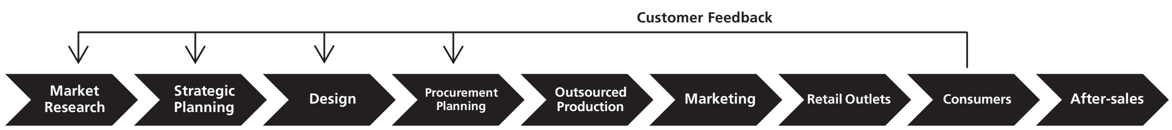
	La Chapelle (RMB per unit)	La Chapelle Sport (RMB per unit)	7.Modifier (RMB per unit)	Candie's (RMB per unit)	La Chapelle Homme[(1)] (RMB per unit)	La Babité (RMB per unit)
Tops	69 - 2,399	89 - 2,699	69 - 1,999	99 - 2,699	99 - 3,599	19 - 2,999
Bottoms	39 - 599	99 - 399	99 - 499	79 - 399	339 - 769	99 - 399
Dresses	169 - 799	199 - 599	199 - 569	199 - 999	N/A	199 - 699
Accessories	29 - 399	69 - 369	39 - 399	69 - 469	49 - 1,399	39 - 399

Note:

(1) This includes Pote.

OUR BUSINESS MODEL

We have adopted a business model that enables us to focus on our core strengths in product design, brand development and retail network management. We outsource the production of all our products to third party manufacturers in the PRC under our strict quality control system. We believe that our business model puts us in a position to promptly respond to market changes and to minimise excess inventory. The following diagram illustrates our current business model:

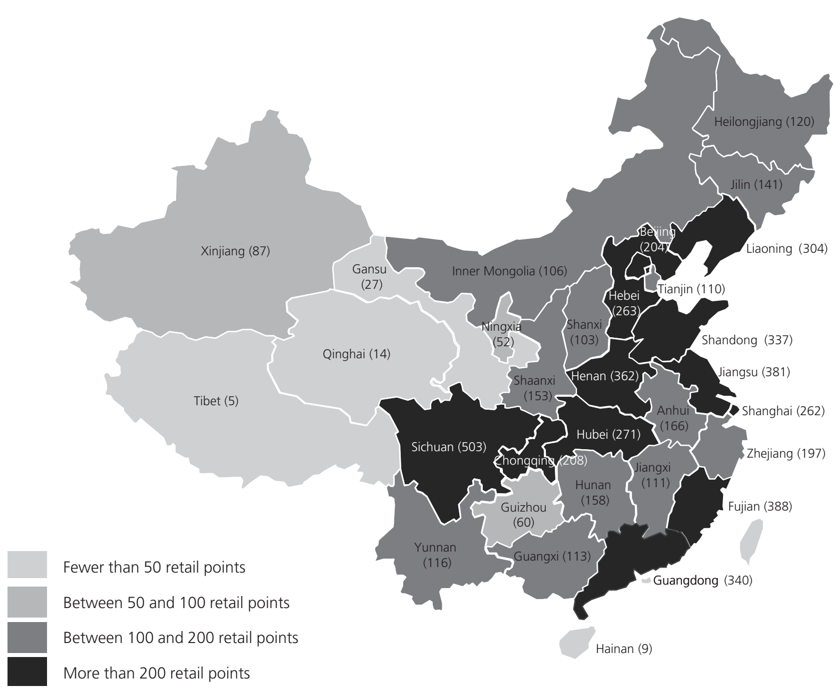


OUR EXTENSIVE NATIONWIDE RETAIL NETWORK

We have established an extensive nationwide retail network in the PRC and continue to expand our geographic footprint. We directly control and operate 100% of our retail points, setting us apart from the majority of our competitors who rely on wholesale distribution or franchise models. As at 30 June 2014, our retail network comprised 5,671 retail points located in approximately 1,900 physical locations, comprising mainly department stores and shopping malls, across all 31 provinces, autonomous regions and municipalities in the PRC.

Our retail points are operated in the form of concessionaire counters and standalone retail outlets. They are typically located within well-known department stores or major shopping malls, or on streets with visibility and customer traffic. In order to better leverage the synergies among our brands, we sometimes place retail points of different brands next to each other or house them together in a multi-brand retail outlet or a multi-level flagship retail outlet.

The following map demonstrates the coverage of our retail network in the PRC as at 30 June 2014:



The following table sets out a breakdown of the number of our retail points by tier of cities as at the dates indicated:

	As at 31 December						As at 30 June	
	2011		2012		2013		2014	
	Number of retail points	% of total	Number of retail points	% of total	Number of retail points	% of total	Number of retail points	% of total
Tier I Cities	277	15.0	413	12.3	561	10.4	591	10.4
Tier II Cities	740	40.2	1,333	39.9	1,929	35.8	2,158	38.1
Tier III Cities	442	24.0	800	24.0	1,451	27.0	1,387	24.5
Other Cities	382	20.8	794	23.8	1,443	26.8	1,535	27.0
Total	1,841	100.0	3,340	100.0	5,384	100.0	5,671	100.0

The following table sets out a breakdown of the number of our retail points by brand as at the dates indicated:

	As at 31 December						As at 30 June	
	2011		2012		2013		2014	
	Number of retail points	% of total	Number of retail points	% of total	Number of retail points	% of total	Number of retail points	% of total
La Chapelle	851	46.2	1,292	38.7	1,773	32.9	1,747	30.8
La Chapelle Sport	847	46.0	1,190	35.6	1,527	28.4	1,604	28.3
Candie's	108	5.9	267	8.0	496	9.2	564	9.9
La Chapelle Homme/Pote(1)	35	1.9	174	5.2	275	5.1	286	5.0
7.Modifier(2)	–	–	303	9.1	755	14.0	865	15.3
La Babité(2)	–	–	114	3.4	468	8.7	502	8.9
La Chapelle Kids(3)	–	–	–	–	90	1.7	103	1.8
Total	1,841	100.0	3,340	100.0	5,384	100.0	5,671	100.0

Notes:

(1) Includes our retail points under the La Chapelle Homme and Pote brands. Please refer to "Our Brand – Brand Management".

(2) We launched 7.Modifier and La Babité in 2012.

(3) We launched La Chapelle Kids in 2013.

To better leverage the synergies among our brands and to increase our market presence at prime locations, we usually place retail points of different brands next to each other in the same department store or shopping mall, and we consider each such department store, shopping mall and each standalone retail outlet on a street as one physical location for the purpose of assessing the density of our retail network. We believe that this strategy not only maximises the exposure of our brands at prime locations, but also helps to minimise the effect of cannibalisation as those retail points are operated under different brands with their own styles and target customers. As at 30 June 2014, our 5,671 retail points were located in approximately 1,900 physical locations.

The following table sets out the information on the number of retail points and their revenue in the top five cities (in terms of revenue contribution to our Group) during the Track Record Period:

	FY2011			
City	Number of retail points[1]	% of total number of retail points	Revenue (RMB thousands)	% of total revenue
Shanghai	147	8.0	194,851	10.5
Chengdu	73	4.0	102,389	5.5
Beijing	80	4.3	100,182	5.4
Chongqing	83	4.5	73,854	4.0
Nanjing	29	1.6	52,745	2.8

	FY2012			
City	Number of retail points[1]	% of total number of retail points	Revenue (RMB thousands)	% of total revenue
Shanghai	205	6.1	314,241	8.1
Chengdu	128	3.8	191,202	4.9
Beijing	127	3.8	167,126	4.3
Chongqing	125	3.7	148,345	3.8
Wuhan	69	2.1	105,533	2.7

	FY2013			
City	Number of retail points[1]	% of total number of retail points	Revenue (RMB thousands)	% of total revenue
Shanghai	259	4.8	419,021	6.7
Chengdu	194	3.6	362,254	5.8
Beijing	189	3.5	242,776	3.9
Chongqing	202	3.8	226,798	3.6
Wuhan	117	2.2	165,517	2.7

	1HFY2014			
City	Number of retail points[1]	% of total number of retail points	Revenue (RMB thousands)	% of total revenue
Shanghai	262	4.6	225,530	6.4
Chengdu	240	4.2	178,185	5.1
Beijing	204	3.6	143,059	4.1
Chongqing	208	3.7	120,629	3.4
Wuhan	115	2.0	87,600	2.5

Note:

(1) Number of retail points existed as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively.

As shown in the above table, the revenue contributed by each of the top five cities as a percentage of our total revenue generally decreased during the Track Record Period. We believe that there is no significant adverse concentration of our retail points in the geographical regions in which we operate.

Based on our recent performance, it generally took a concessionaire counter and a standalone retail outlet in our retail network:

(a) approximately three to nine months and approximately three to twelve months, respectively, to reach the "breakeven point" (being the first point in time at which its monthly operating revenue is at least equal to its monthly operating expenses such as rental, labour costs, utility, tax and depreciation expenses) for three consecutive months; and

(b) at least 15 months and at least 16 months, respectively, to reach the "investment payback point" (being the point in time at which the accumulated net profit from the retail point is at least equal to the costs of opening and operating the retail point (including any incurred capital expenditures and accumulated ongoing operating expenses such as initial inventory costs, rental, labour costs, utility and tax).

The amount of time it takes for a retail point to reach the "breakeven point" or the "investment payback point" is affected by a variety of factors, including, among others, the brand, type, size, location and opening times of the retail point, the expenditures of securing the location for and opening the retail point, the economic and other conditions in the market in which the retail point operates and competition. Such amount of time varies substantially from retail point to retail point and over time. A retail point may not reach the "breakeven point" or the "investment payback point" until after a prolonged period of time, or at all.

Retail Network Expansion

Based on prevailing market conditions and our current expansion plans for our retail network, we plan to increase the number of our retail points by approximately 1,200 in the six months ending 31 December 2014 and by approximately 1,500 in each of 2015 and 2016, which may be adjusted from time to time due to changes in our future financial conditions and market conditions. For details of the anticipated capital expenditures for our retail network expansion, please refer to "Financial Information – Capital Expenditures – Anticipated Capital Expenditures".

The following table sets out a breakdown, by types and by tiers of cities, of our current expansion plans for our retail network for the periods indicated:

	For the six months ending 31 December	For the year ending 31 December	
	2014	2015	2016
Estimated Number of Retail Points			
By type			
Concessionaire counters	535	825	780
Standalone retail outlets	678	675	720
Total	1,213	1,500	1,500
By tier of cities			
Tier I Cities	129	135	120
Tier II Cities	462	600	600
Tier III Cities	296	375	375
Other Cities	326	390	405
Total	1,213	1,500	1,500

Selection Criteria for Geographical Regions and Locations

In particular, we plan to target regions and cities in the PRC with large populations, rising disposable income and established retail infrastructures. We select locations for our retail points based on a number of factors, primarily including:

- impact on our existing retail points in the relatively close vicinity;
- local market demand for our products;
- shopping patterns and spending power of our target customers at the proposed location;
- macro-economic measures such as population density and average income growth;
- competitive landscape;
- estimated initial capital investment;
- expected return on capital; and
- the target customer base of the department stores or shopping malls and the operating environment (only for retail points located within department stores or shopping malls).

Measures to Minimise Self-competition

Given our extensive nationwide retail network, it is particularly important for us to carefully evaluate and assess the impact of setting up additional retail points in close proximity to our existing retail points. Please refer to "– Our Extensive Nationwide Retail Network – Retail Network Management" for further details of our policy for selecting locations for our retail points. We aim to access a wide customer base with our brands, which have featured styles and images and target different customer groups in terms of age, taste, preference, lifestyle and gender. Our Directors believe that our multi-brand strategy enables us to locate retail points of our different brands in relatively close vicinity without giving rise to material competition among these retail points.

Selection Criteria of Types of Retail Points

According to the Euromonitor Report, shoppers in the PRC, particularly those in Tier I Cities, are moving away from department stores and gravitating toward shopping malls in search for newer shopping experiences. As concessionaire counters and standalone retail outlets in the PRC are typically located within department stores and shopping malls, respectively, local shopping pattern of our target customers is a key factor in determining the type of retail points (i.e. concessionaire counters or standalone retail outlets) that we will open.

Based on prevailing market conditions and our current expansion plans for our retail network, we expect to lease the premises of all the standalone retail outlets which we aim to open in 2014 and may secure locations for a small portion of the standalone retail outlets (primarily flagship retail outlets) which we aim to open in 2015 and 2016, as determined on a case-by-case basis, through property acquisitions.

Our Directors believe that, based on prevailing market conditions, our current expansion plans for our retail network is supported by adequate demand. According to the Euromonitor Report, retail sales in the mass-market ladies' casualwear segment in the PRC increased from RMB100.1 billion in 2011 to RMB123.3 billion in 2013 (representing a CAGR of 11.0% from 2011 to 2013) and such retail sales is expected to reach RMB217.4 billion in 2018 (representing an estimated CAGR of 12.0% from 2013 to 2018). In order to better position ourselves for the growth of the PRC clothing market, we have recently launched several new brands that target segments of the PRC clothing market that we believe have growth potential, such as 7.Modifier and La Babité in 2012, and have diversified into menswear by launching La Chapelle Homme and Pote and into childrenswear by launching La Chapelle Kids. Our Directors believe that the expected growth of the PRC clothing market, our leading position in the mass-market ladies' casualwear segment in the PRC and our multi-brand strategy (particularly the anticipated growth of our newer brands) will provide adequate support for our current expansion plans for our retail network.

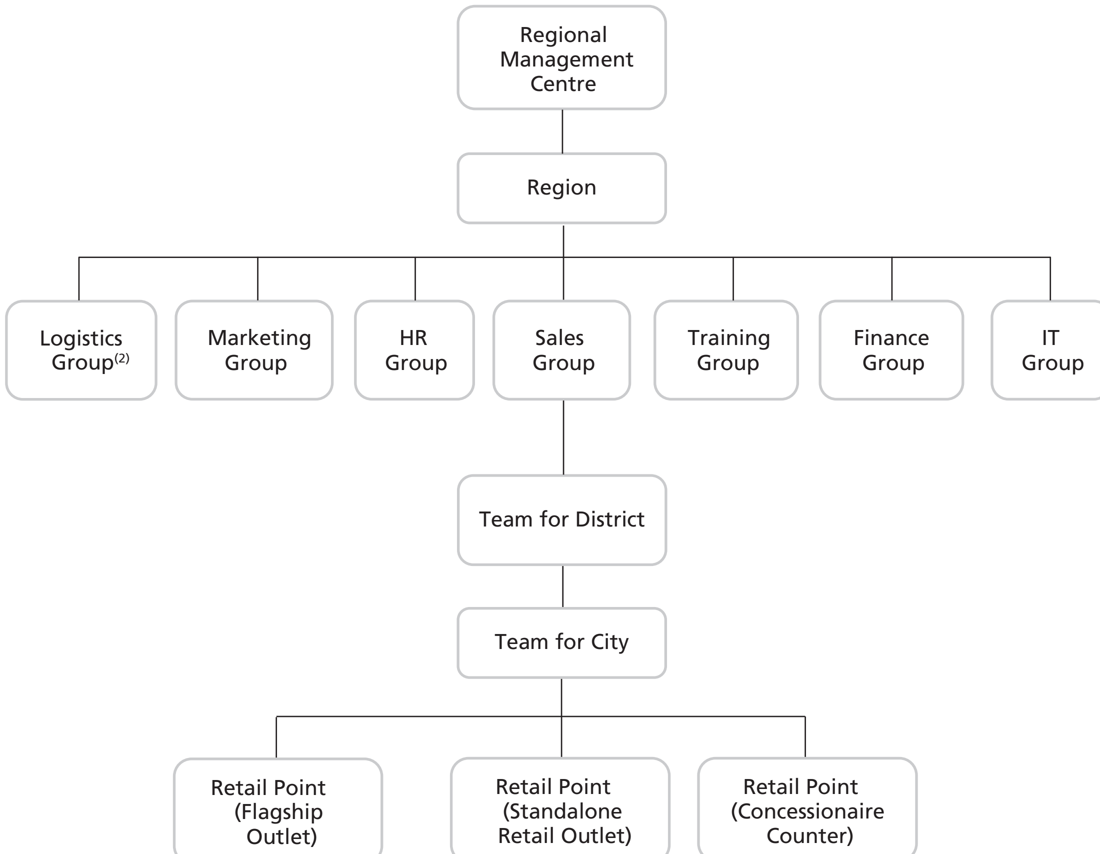
The implementation of our retail point expansion plans may be affected by a number of factors, such as changing market conditions, performance of the brands under which our new retail points are to be opened and our financial condition, and may be subject to change. These factors may cause the actual capital expenditure we incur to vary from our estimates. We do not expect that the expansion of our retail network will materially change our revenue model, cost structure, profit mix or gross profit margin, because we will continue to focus on mass-market ladies casualwear and adopt a direct sales model. However, our retail network expansion may have varying impact on our selling and marketing expenses, inventories and liquidity levels. Any mismanagement of our expansion plans may increase our exposure to certain risks related to our business. See "Risk Factors – Risks Related to Our Business and the Clothing Industry – Our retail network expansion plans may not be successful" and "Financial Information – Factors Affecting Financial Condition and Results of Operations – Direct Sales Model and Expansion of Our Retail Network".

Dedicated Regional Management

As the PRC clothing market is vast and diverse, customer preferences and shopping habits may vary significantly across different regions in the PRC. In order to enhance efficiency and optimise our decision-making process, we organise our nationwide retail network into 35 sales regions. Each sales region is headed by a regional manager. Our regional managers are required to have an in-depth understanding of the local market conditions in, and are responsible for achieving the monthly and quarterly sales targets set by our senior management for, their respective sales regions.

Our senior management based in Shanghai is responsible for determining our overall annual sales target based on a rolling three- to five-year business plan, which is reviewed and updated on an annual basis. The overall annual sales target is translated by our senior management into monthly sales targets for each sales region. On the basis of the regional sales targets, our regional managers set monthly sales targets for each of our retail points in their respective sales regions. To strengthen the management of our regional sales, we introduced regional profit and other KPI targets into the evaluation system relating to our regional management in 2013.

The following chart illustrates our existing regional management structure:



Notes:

(1) A flagship outlet is a standalone retail outlet that has a gross floor area of at least 700 square metres.

(2) As at 30 June 2014, 7 out of 35 of our sales regions had logistics group. Our logistics group in Shanghai is handled by our headquarters.

Concessionaire Counters

As at 30 June 2014, 4,129 out of 5,671 of our retail points were operated in the form of concessionaire counters. Our concessionaire counters are typically located within well-known department stores, including New World (新世界), Parkson (百盛), Bailian (百聯), Maoye (茂業), Rainbow (天虹), Wanda (萬達), Silver Plaza (銀座) and Dayang (大洋). Our relationships with some of these department stores date back to our early days and we believe that we have established close relationships with them over the years. We believe that these department stores provide us with significant brand exposure and allow us to leverage their marketing campaigns and promotional activities.

In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, revenue from our concessionaire counters amounted to RMB1,584.9 million, RMB3,082.8 million, RMB4,602.6 million, RMB2,091.1 million and RMB2,499.6 million, respectively, representing 85.0%, 79.6.%, 73.9%, 74.7% and 71.2%, respectively, of our revenue for the corresponding years and periods. All of the department stores where we operate concessionaire counters are Independent Third Parties.

The following table sets out a breakdown of the number of our concessionaire counters by tier of cities as at the dates indicated:

	As at 31 December						As at 30 June	
	2011		2012		2013		2014	
	Number of Retail Points	% of Total	Number of Retail Points	% of Total	Number of Retail Points	% of Total	Number of Retail Points	% of Total
Tier I Cities	214	14.0	293	11.3	374	9.4	381	9.2
Tier II Cities	576	37.8	934	35.9	1,213	30.6	1,308	31.7
Tier III Cities	377	24.7	657	25.3	1,100	27.8	1,080	26.2
Other Cities	359	23.5	716	27.5	1,276	32.2	1,360	32.9
Total	1,526	100.0	2,600	100.0	3,963	100.0	4,129	100.0

Concessionaire Agreements

We enter into concessionaire agreements with department stores for our right to occupy and use concessionaire counters in the department stores. The following table sets out the key provisions of our existing concessionaire agreements:

Particulars of counter	The location and size of a concessionaire counter are set out in the concessionaire agreement.
Term	The majority of our concessionaire agreements have a term of one to four years and are not automatically renewed upon expiration.
Concessionaire fee	The monthly concessionaire fee for a concessionaire counter is typically calculated as a fixed percentage of our monthly sales at the concessionaire counter. Certain concessionaire agreements set a minimum amount of the concessionaire fees we need to pay each month.
Deposit	Under some of our concessionaire agreements, we are required to pay a deposit to the department store with respect to our concessionaire counter within a specified period after the concessionaire agreement is signed. The deposit is refundable upon expiration or termination of the concessionaire agreement, as applicable.
Management fee and utilities	Under some of our concessionaire agreements, we are required to pay a maintenance fee, utilities and other applicable fees and expenses relating to the operation of our concessionaire counter (including our share of the expenses relating to the department stores' marketing campaigns and promotional activities).
Payment	Payments from the sales of our products at our concessionaire counters are typically collected by the department store. The department store is then required to transfer the monthly sale proceeds to us within a certain period after we issue the invoices for the payments. The concessionaire fees and other fees and expenses payable by us are deducted before the monthly sale proceeds are transferred to us.

Minimum sales targets . . . . . . Under certain concessionaire agreements, department stores are entitled to terminate the concessionaire agreements if our concessionaire counters in the department stores fail to meet the specified minimum monthly sales targets for a specified period of time within one year.

During the Track Record Period, none of our concessionaire agreements was terminated for failure to meet the sales targets specified in the agreement.

Miscellaneous . . . . Our concessionaire counters are generally required to participate in the department stores' marketing campaigns and promotional activities.

The following table sets out a breakdown of our concessionaire agreements that were outstanding as at 30 June 2014 and their revenue in 1HFY2014 based on their maturity profile:

	Number of Concessionaire agreements	**% of Total**	**Revenue for 1HFY2014[(1)]**
			RMB thousands
To be expired after 30 June 2014 and prior to 30 June 2015 (inclusive)	2,216	53.7	1,563,718
To be expired after 30 June 2015 and prior to 30 June 2016 (inclusive)	1,006	24.4	512,465
To be expired after 30 June 2016 (inclusive)	907	21.9	388,234
Total	4,129	100.0	2,464,417

Note:

(1) There were 227 concessionaire agreements that expired prior to 30 June 2014 relating to concessionaire counters that contributed revenue of RMB35,229,403 in 1HFY2014.

Standalone Retail Outlets

As at 30 June 2014, 1,542 out of 5,671 of our retail points were operated in the form of standalone retail outlets, which are typically located within major shopping malls (such as Wanda and CapitaLand) or on streets with visibility and customer traffic. We categorise our standalone retail outlets into two types, namely standard retail outlets and flagship retail outlets. A majority of our standalone retail outlets are standard retail outlets. We consider standalone retail outlets with a gross floor area of at least 700 square metres as flagship retail outlets, which house multiple brands and offer customers an appealing one-stop shopping experience.

In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, revenue from our standalone retail outlets amounted to approximately RMB270.4 million, RMB788.6 million, RMB1,622.5 million, RMB708.8 million and RMB1,011.1 million, respectively, representing approximately 14.5%, 20.4%, 26.1%, 25.3% and 28.8%, respectively, of our revenue for the corresponding years and periods. All the shopping malls where we operate standalone retail outlets are Independent Third Parties.

The following table sets out a breakdown of the number of our standalone retail outlets by tier of cities as at the dates indicated:

	As at 31 December						As at 30 June	
	2011		2012		2013		2014	
	Number of Retail Points	% of Total	Number of Retail Points	% of Total	Number of Retail Points	% of Total	Number of Retail Points	% of Total
Tier I Cities	63	20.0	120	16.2	187	13.2	210	13.6
Tier II Cities	164	52.1	399	53.9	716	50.4	850	55.1
Tier III Cities	65	20.6	143	19.3	351	24.7	307	19.9
Other Cities	23	7.3	78	10.6	167	11.8	175	11.3
Total	315	100.0	740	100.0	1,421	100.0	1,542	100.0

Lease Agreements

We enter into lease agreements with shopping malls and other lessors for our rights to open and operate our standalone retail outlets on leased properties. The following table sets out the key provisions of our existing lease agreements:

Particulars of retail outlet . . . . . . The location and size of a standalone retail outlet are set out in the lease agreement.

Term . . . . Our lease agreements typically have a term of two to six years, and are renewable upon mutual consent between the parties within 90 days before the expiration of the lease agreements.

Rent . . . . Depending on the policies of a shopping mall, the rent for a standalone retail outlet located within a shopping mall is typically equal to:

- a fixed monthly rent, which may not be adjusted prior to the expiration of the lease agreement; or
- a percentage of the monthly sales of the retail outlet; or
- the higher of a minimum monthly rent and a percentage of the monthly sales of the retail outlet.

The rent for a standalone retail outlet located on streets is typically equal to:

- a fixed monthly rent, which may not be adjusted prior to the expiration of the lease agreement; or
- a percentage of the monthly sales of the retail outlet.

Management fee and utilities . . We are required to pay a maintenance fee, utilities and other applicable fees and expenses relating to the operation of our standalone retail outlets (including our share of the expenses relating to the shopping malls' marketing campaigns and promotional activities, if applicable).

Payment . . . . Under most of our lease agreements, we directly collect payments from the sales of our products at the relevant retail outlets and pay rents, management and other fees separately to the lessors. Under a few lease agreements, the shopping malls collect payments from the sales of our products at our retail outlets and deduct our rent payables before they transfer the monthly sale proceeds to us.

Deposit . . . . We are sometimes required to pay a deposit with respect to our standalone retail outlets on the date of the lease agreements, which is refundable upon expiration or termination of the relevant lease agreement, as applicable.

Miscellaneous . . . . Our standalone retail outlets located within shopping malls are generally required to participate in the shopping malls' marketing campaigns and promotional activities.

Under some circumstances, we enter into one lease agreement relating to multiple standalone retail outlets, such as leasing multiple retail points within the same shopping mall or from the same lessor. The following table sets out the maturity profile of the lease contracts relating to our standalone retail outlets that remained outstanding as at 30 June 2014:

Maturity profile	**Number of Leases[1]**
Within 12 months	86
More than 12 months and within 24 months	143
More than 24 months	475
	705

Note:

(1) As at the Latest Practicable Date, one of the lease agreements was in the process of negotiation and the expiry date is yet to be determined.

In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, rental expenses of our standalone retail outlets that were operated on leased properties amounted to RMB74.8 million, RMB208.4 million, RMB402 million, RMB179 million and RMB224 million, respectively, representing approximately 4.0%, 5.4%, 6.5%, 6.4% and 6.4%, respectively, of our revenue for the corresponding years and periods.

Online Sales Platform and O2O strategy

In August 2014, we launched our online flagship store on Tmall (a well-known business-to-customer online shopping platform in the PRC). Our online retail presence enables us to access a wider range of end customers with different shopping behaviours and provides us with an additional source of market intelligence and customer feedback.

Our online flagship store also represents the first step in implementing our O2O strategy to take advantage of the potential synergies between offline and online retail channels. Our O2O strategy aims at integrating traditional physical stores with online channels. We believe that our online flagship store will enhance customers' awareness of our brands and attract online customers to our retail points and that customers who have gained familiarity with our brands and experienced our services at our retail points will have greater confidence in our products offered through our online flagship store. We also believe that we will be able to take advantage of our extensive nationwide retail network to provide logistics and warehousing support for our online sales (such as pick-up-at-store and store-to-door services).

With the development of information technology, we believe that today's customers are increasingly expecting to interact with retailers across online and offline channels. To this end, we also plan to adopt an omni-channel approach by aligning and synchronising all our retail channels to provide customers with a seamless and integrated shopping journey.

In order to strengthen our O2O strategy, we intend to offer our products on additional online shopping platforms (including those accessible through personal mobile devices) operated by ourselves or third parties at appropriate times in the future.

We outsource the management of our online flagship store on Tmall to a third party manager. Each of Tmall and the third party manager charges a fixed service fee and a commission based on actual sales revenue.

We expect to incur approximately RMB50 million in connection with our O2O strategy in the six months ending 31 December 2014 and the two years ending 31 December 2016. We intend to fund such expenditures from our internal resources instead of the net proceeds of the Global Offering.

Discontinuation of Wholesale Distribution

We used to engage in the wholesale distribution of our products by selling them to third-party retailers. These third-party retailers purchased our products and on-sold them to retail consumers. We recognised our revenue upon the sale of our products to these third-party retailers. In 2011, we sold our products to no more than 50 third-party retailers. In 2012, we discontinued our sales through wholesale distributors to reduce our inventory risk, and to focus on developing our own retail network in furtherance of our business strategies.

In FY2011 and FY2012, revenue from wholesale distribution amounted to approximately RMB4.6 million and RMB0.7 million, respectively, representing approximately 0.2% and 0.02%, respectively, of our revenue for the corresponding years.

Retail Network Management

We select locations for our retail points and determine the types of retail points to open based on a number of considerations, including primarily impact on our existing retail points in the relatively close vicinity, local market demand for our products, shopping patterns and spending power of our target customers at the proposed location, macro-economic measures such as population density and average income growth, competitive landscape, estimated initial capital investment and expected return on capital. In the case of our retail points located within department stores or shopping malls, we also consider the target customer base of the department stores or shopping malls and the operating environment.

During the Track Record Period, we closed certain retail points for various reasons, including failure to reach renewal terms acceptable to us, repositioning or closure of department stores or shopping malls and unsatisfactory sales performance. The following table sets out the number of our retail points opened and closed during the periods indicated:

	FY2011	FY2012			FY2013			1HFY2014		
	Total(1)	Opened(2)	Closed(3)	Total(1)	Opened(2)	Closed(3)	Total(1)	Opened(2)	Closed(3)	Total(1)
Concessionaire Counters	1,526	1,194	120	2,600	1,562	199	3,963	443	277	4,129
Standalone Retail Outlets	315	449	24	740	753	72	1,421	197	76	1,542
Total	1,841	1,643	144	3,340	2,315	271	5,384	640	353	5,671

Notes:

(1) Represents the total number of our retail points as at 31 December 2011, 2012, 2013 and 30 June 2014, as the case may be.

(2) These numbers include the retail points that were opened as a result of division of retail points, and do not include the retail points that were opened as a result of renovation or relocation of other retail points within the same department stores or shopping malls within the same financial year or period, as the case may be. These numbers also exclude the re-opening of a retail point within the same year of its initial opening after a certain period of closure.

(3) These numbers include the retail points that were closed as a result of division of retail points, and do not include the retail points that were closed as a result of renovation or relocation of other retail points within the same department stores or shopping malls within the same financial year or period, as the case may be. These numbers also exclude the closure of a retail point within the same year of its initial opening and its subsequent re-opening.

A substantial number of retail points closed in FY2012, FY2013 and 1HFY2014 were mainly attributable to closure, relocation or reposition of the department stores and shopping malls in which our retail points were located.

Sales Management and Review

Each of our retail points has a POS system that is linked to the SAP ERP system at our headquarters. Our integrated POS and ERP systems capture sales data and inventory movements at each of our retail points and allow our management team to access this information on a daily basis, enhancing our ability to monitor and manage our inventory levels across our retail network. Our management team can access daily reports on our overall sales and inventories and is able to retrieve such information with a breakdown by brand, geographic region and/or individual retail points from our SAP ERP systems. We believe that having access to this daily captured information also allows us to optimise our sales and marketing strategies.

We believe that our centralised and integrated management information systems have significantly enhanced our capabilities to manage our sales and inventory across our extensive retail network. Our sales department also holds weekly meetings to review performance, share customer preferences information obtained from our retail points, discuss market intelligence and fine-tune our business strategies.

Pricing and Discount Strategies

Each of our retail points is required to sell our products at the standardised nationwide retail prices determined by our headquarters, except during sales and promotion periods. In determining the standardised retail prices, we primarily consider procurement costs and expected profit margin.

We offer sales and promotional discounts on products to promote sales and minimise obsolete inventories, particularly around public holidays and towards the end of a season. In addition, we strategically set the level of sales discounts that we offer on our products to manage the impact of fluctuations of our purchase costs on our financial performance, which contributed to our gross profit margin staying relatively stable during the Track Record Period. We also organise marketing campaigns and promotional activities or participate in those organised by the department stores or shopping malls within which our retail points are located to promote our sales. In order to further reduce our inventory levels, we sell a proportion of our slow-moving or out-of-season products at a higher discount.

In order to cater for varying customer preferences and local market conditions in different regions in the PRC, our regional managers are given certain discretion by our headquarters to determine the details of sales discounts in their respective sales regions. Our regional managers generally take into account factors such as the popularity of the relevant products, market conditions and inventory levels to determine the amount of any discounts.

Sales Return Policies

We adopt a standardised sales return policy across all of our retail points, except at those retail points that are required to follow the sales return policies of the department stores or shopping malls within which they are located. Our sales return policy typically allows our customers to exchange or return defective products within 30 days after the products are sold.

We make provisions for sales returns based on our management's estimates, which are made with reference to our historical sales return data. As at 31 December 2011, 2012 and 2013 and 30 June 2014, our provisions for sales returns amounted to RMB1.3 million, RMB6.7 million, RMB9.8 million and RMB9.9 million, respectively. During the Track Record Period, we recorded no material returns and did not receive any customer complaints about product quality or product liability claims that had a material adverse impact on our business and financial performance.

PRODUCT DEVELOPMENT

Market Research and Strategic Planning

Customer-focused Approach

We adopt a customer-focused product development process. For each brand, the development work for a new season's collection begins with the formulation of a product development plan by our product planning team in collaboration with the dedicated design team for that brand.

Product Development Plan

Our directly controlled and operated nationwide retail network allows us to obtain first-hand market intelligence in terms of market trends and customer preferences in different regions in the PRC and to collect direct customer feedback. Each of our product development plans is formulated primarily on the basis of such first-hand and direct knowledge as well as international and domestic fashion trends, brand positioning, market surveys, sales data and the competitive landscape.

A product development plan typically includes details such as themes, colour schemes, fabric specifications, product mix and approximate price range. We generally commence product development work for a new season's collection not less than six months before the start of that season.

Design

Dedicated Design Team

In order to reinforce the strategic positioning of our brands, we require our design teams to have an in-depth understanding of the brands they design in order to cater for the preferences of the relevant brand's target customers. We have a dedicated design team for each of our brands.

Wide Range of Styles

After a product development plan is finalised, designers within the dedicated design team produce sketches of styles. These sketches are shortlisted for prototype production through deliberation between our product planning team and the dedicated design team.

The styles and specifications of each new collection are finalised after a series of internal evaluations involving our product planning team and design teams. Since our 2011 summer collection, our in-house design teams have offered customers at least 800 new clothing and accessory designs each season.

Strong In-house Design Capabilities

Our in-house design teams design substantially all of our products under each of our brands. As we provide training to our designers from time to time, most of our designers have an intimate knowledge of our brands and our history, development and culture. As at 30 June 2014, our in-house design teams comprised 208 designers. The majority of our senior designers have more than five years of working experience in clothing or accessories design. Our designers also attend fashion shows and trade exhibitions to get inspiration and to keep themselves informed of the latest fashion trends.

OUTSOURCED PRODUCTION AND PROCUREMENT

Responsive and Flexible Supply Chain

We outsource the production of all our products in order to focus on our core strengths in product design, brand development and retail network management. Most of the raw materials used in the production of our products are typically sourced by our third party manufacturers directly from raw materials suppliers based on our requirements. Under some of our outsourced production arrangements during the Track Record Period, we purchased raw materials for our third party manufacturers.

After the styles and specifications of a new collection are finalised, our product team works with our brand development team to determine the number of products to be produced for each style and the procurement schedule. These determinations are made primarily on the basis of customer preferences information and sales data obtained from our retail points, the period within which each style is scheduled to be offered at our retail points, the procurement budget and the pricing of each style.

We believe that our established relationships with our third party manufacturers enable us to optimise our procurement schedule and respond promptly to the demands of customers.

Outsourced Production

Stringent Criteria

All our products are produced by third party manufacturers which are required to satisfy our stringent selection and evaluation criteria. Such selection and evaluation criteria are primarily based on ability to produce high-quality products according to specifications and contracted volumes, timing of delivery, reputation, experience, production capacity, price, key clients and financial strength. We also take into consideration factors relating to employee training, working environment, employee safety and employee relations when we assess the credentials of manufacturers. In addition, we seek to enhance oversight of the operation of our manufacturers by incorporating labour protection provisions in our contracts with them.

Before a third party manufacturer may be included on our approved suppliers list, we perform an on-site inspection of its production facilities to assess the effectiveness of its quality control system. We also actively control the size of the orders that we place with a new third party manufacturer and will only entrust it with larger orders after it has demonstrated to us that it is capable of achieving the high standards that we require on a consistent basis.

We assess the performance of our third party manufacturers on a monthly basis and categorise them in different groups based on the results of our assessments. Third party manufacturers with the best assessment results are generally rewarded with larger orders. If we identify any material issue with any third party manufacturer, we may also perform specific on-site inspections.

For each style, we generally place orders with third party manufacturers not less than three months before the products are scheduled to be offered at our retail points. Depending on the amount of procurement, it normally takes two to three months for the manufacturers to complete the production and make delivery after we place an order.

Key Terms

We enter into a master agreement with each of the third party manufacturers on our approved suppliers list to set out the key terms of our co-operation. In general, the master agreements have a term of one year and do not impose any obligation on us to place any order with the third party manufacturer. The master agreements typically include the following key terms:

Price; Quantity	The price and quantity for each procurement will be specified in a separate purchase order. The specifications for each procurement (such as design, colour, size, fabric and package) will also be set out in the purchase order.
Quality standards	The products are required to be "grade one products" (一等品) and meet all of the criteria under applicable national standards for clothing products (GB180401 or GB20400) of the PRC. The third party manufacturer is required to send samples of the products (selected by us) for examination by a third-party institution at its own cost in accordance with the national standards and our requirements. The third party manufacturer is also required to provide us with a report issued by the institution before it makes delivery.
Deposit	We typically pay 20% of the total purchase price as a deposit to the third party manufacturer within a specified period after the order is made.
Payment	We typically settle purchase prices in arrears on a monthly basis. The third party manufacturer is required to provide us with bills for our review before payment. After we confirm the amounts in the bills, the third party manufacturer then issues us invoices for the related payments. We typically have a credit period of 60 days after issuing our bills to pay the remaining balance for the order.
Raw materials	Unless the third party manufacturer procures raw materials from suppliers on our approved suppliers list, the third party manufacturer is required to provide us with samples of the raw materials for our approval. The third party manufacturer is required to settle payments with raw materials suppliers in a timely manner. We may settle any overdue payments on behalf of the third party manufacturer and directly deduct the same amounts from our payments to the third party manufacturer.
Transportation	We provide the date and destination for each delivery by the manufacturer in the purchase order. The third party manufacturer is required to make delivery, at its own cost, to our designated warehouses in accordance with the agreed timetable.
Return policy	If any products delivered by the third party manufacturer fail to meet our quality requirements, we may require the third party manufacturer to fix the products, at its own cost, within a specified time frame, failing which we are entitled to return the entire delivery.

IP rights protection	Without our written consent, the third party manufacturer and its affiliates are prohibited from reproducing or selling any products using our trademarks or engaging in any activities that may infringe our intellectual property rights. The third party manufacturer is subject to a confidentiality obligation not to disclose any information relating to the agreement.
Default	We are entitled to compensation from the third party manufacturer if the delivery falls short of the agreed quantity, fails our quality standards or is not made within the agreed time frame.
Miscellaneous	The third party manufacturer is not allowed to sub-contract or assign the production of our products without our prior written consent.

Third Party Manufacturers

As at 31 December 2011, 2012 and 2013 and 30 June 2014, we engaged 238, 297, 298 and 243 third party manufacturers, respectively. We maintain a pool of approved third party manufacturers to ensure that we have quick access to sufficient production capacities in the event of any unexpected increase in market demand for our products. During the Track Record Period, we did not experience any difficulty in finding or engaging third party manufacturers that materially and adversely affected our operations. Going forward, we intend to focus on building up long-term relationships with a selected group of third party manufacturers to enhance the responsiveness and flexibility of our supply chain and to maintain a tighter control over the quality of our products.

During the Track Record Period and as at the Latest Practicable Date, all of our third party manufacturers were Independent Third Parties.

Raw Materials

Stringent Criteria

We seek to maintain tight control over the quality of the raw materials used in the production of our products, regardless of whether these raw materials are sourced by our third party manufacturers or by ourselves. Unless a third party manufacturer procures raw materials from suppliers on our approved suppliers list, the third party manufacturer is required to provide samples of the raw materials for our approval. In addition, we set stringent criteria to evaluate and select raw materials suppliers, which are primarily based on quality, volume supply capacity, speed of delivery, reputation, experience and price.

Before a raw materials supplier may be included on our approved suppliers list, we perform an on-site inspection of its production facilities to assess the effectiveness of its quality control system. We also actively control the size of the orders that we place, or require our third party manufacturers to place, with a new raw materials supplier and will only entrust it with larger orders after it has demonstrated to us that it is capable of achieving the high standards that we require on a consistent basis.

We assess the performance of the raw materials suppliers on our approved suppliers list on a monthly basis and categorise them in different groups based on the results of our assessments. Raw materials suppliers with better assessment results are generally rewarded with larger orders. If we identify any material issue with any raw materials supplier, we may also perform specific on-site inspections.

The principal raw materials used in the production of our products consist of cotton, down, fabric, natural fibre and chemical fibre. As at the Latest Practicable Date, all the raw materials suppliers on our approved suppliers list were located in the PRC.

Key Terms

We enter into a master agreement with each of the raw materials suppliers on our approved suppliers list to set out the key terms of our co-operation. In general, the master agreements have a term of one year and do not impose any obligation on us to place any order with, or refer any order to, the raw materials supplier. The master agreements typically include the following key terms:

Price; Quantity	The price and quantity for each procurement will be specified in a separate purchase order. The specifications for each procurement (such as fabric, print, colour, density and weight) will also be set out in the purchase order.
Quality standards	The products are required to be "grade one products" (一等品) and meet all of the criteria under applicable national standards for clothing products (GB180401) of the PRC. The raw materials supplier is required to provide sample of the raw materials for our testing, at its own cost, in accordance with the agreed national standards. If any sample fails our testing for the first time, the raw materials supplier is required to pay penalties depending on the quantity of defective products. We are entitled to cancel the entire order if the sample delivered by the raw materials supplier fails our testing for a second time within a specified period. The raw materials supplier is required to provide us its internal examination report for each delivery. Failure by the raw materials supplier to provide this report gives us the right to claim penalties against the supplier.
Deposit	We typically pay a certain amount of deposits to the raw materials supplier for each order, which may be refunded or be used to offset the purchase price payable by us.
Transportation	We provide the date and destination for each delivery by the raw materials supplier in the purchase order. The raw materials supplier is required to make delivery, at its own cost, to our designated warehouses in accordance with the agreed timetable.
Inspection	Before the raw materials supplier delivers the products, we are entitled to inspect the products' quality and quantity at the costs of the raw materials supplier.
Default	The raw materials supplier is required to pay a penalty for late delivery. We are entitled to cancel the order or claim compensation from the raw materials supplier for late delivery beyond a certain period. We are entitled to exchange or reject the delivery if the products fail to meet our quality requirements. We are also entitled to compensation equal to twice the amount of our deposit.

Most of our third party manufacturers procure raw materials based on our requirements, produce the products based on our designs and sell us the finished goods. Fluctuations in the price of the raw materials used in the production of our products therefore has an indirect impact on the purchase prices we pay to our third party manufacturers. The following table shows our gross profit, gross profit margin, net profit and net profit margin had our cost of inventories and provisions for inventories, taken as a whole, fluctuated by 5% and 10% during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB thousands (except profit margins)	RMB thousands (except profit margins)	RMB thousands (except profit margins)	RMB thousands (except profit margins)	RMB thousands (except profit margins)
Gross profit					
– 10% Higher	1,263,795	2,670,015	4,093,795	1,846,121	2,323,140
– 5% Higher	1,290,357	2,723,478	4,188,586	1,888,454	2,375,564
– Before changes	1,316,919	2,776,941	4,283,377	1,930,787	2,427,988
– 5% Lower	1,343,481	2,830,404	4,378,168	1,937,120	2,480,412
– 10% Lower	1,370,043	2,883,867	4,472,959	2,015,453	2,532,836
Gross profit margin					
– 10% Higher	67.8%	69.0%	65.8%	65.9%	66.2%
– 5% Higher	69.2%	70.3%	67.3%	67.4%	67.7%
– Before changes	70.6%	71.7%	68.8%	69.0%	69.2%
– 5% Lower	72.1%	73.1%	70.3%	70.5%	70.7%
– 10% Lower	73.5%	74.5%	71.9%	72.0%	72.1%
Net profit					
– 10% Higher	83,125	179,362	271,187	105,550	151,969
– 5% Higher	103,047	219,459	342,280	137,300	191,287
– Before changes	122,967	259,555	413,373	169,049	230,605
– 5% Lower	142,889	299,653	484,466	200,800	269,923
– 10% Lower	162,811	339,750	555,559	232,550	309,241
Net profit margin					
– 10% Higher	4.5%	4.6%	4.4%	3.8%	4.3%
– 5% Higher	5.5%	5.7%	5.5%	4.9%	5.4%
– Before changes	6.6%	6.7%	6.6%	6.0%	6.6%
– 5% Lower	7.7%	7.7%	7.8%	7.2%	7.7%
– 10% Lower	8.7%	8.8%	8.9%	8.3%	8.8%

The purchase prices payable to our third party manufacturers are primarily affected by inflation, labour costs, the costs of procuring the raw materials used in the production of our products and other overheads. During the Track Record Period, increases in the costs of procuring the raw materials used in the production of our products and in labour costs generally resulted in increases in these purchase prices. As we managed to adjust the retail prices of our products accordingly, increases in these costs did not have any material adverse impact on the results of our operations during the Track Record Period.

For raw materials that we procure directly from raw materials suppliers, we minimise our exposure to fluctuations in the prices of these raw materials by closely monitoring their prices and placing larger orders at appropriate times based on anticipated production and sales requirements. In addition, our sales and production departments hold regular discussions with a view to minimising our exposure through adjustments to the retail prices of the relevant products. We also intend to enhance our relationships with selected raw materials suppliers in order to further minimise our exposure.

During the Track Record Period, we outsourced the production of all our products to third party manufacturers and generally did not directly incur costs of raw materials under these outsourced production arrangements. While we directly procured, and provided our third party manufacturers with, a small portion of the raw materials used in the production of our products during the Track Record Period, we increasingly outsourced the procurement of these raw materials to third party manufacturers in order to focus on managing inventories of finished goods. In addition, outsourcing the procurement of production materials to third party manufacturers to a certain extent helps us to reduce costs relating to the production of our products in that we do not incur additional costs and expenses as a result of insufficient purchases of raw materials or depreciation of the over-stock raw materials.

Raw Materials Suppliers

As at 31 December 2011, 2012 and 2013 and 30 June 2014, we engaged 126, 105, 24 and 17 raw materials suppliers, respectively, from which we directly procure raw materials. This change reflects our strategy to increasingly outsource the responsibility for procuring raw materials to third party manufacturers, which helps us reduce inventories of raw materials and focus on managing inventories of apparel products. Because the raw materials for producing our products are common commodities and we have established working relationships with suppliers from different regions in the PRC, we believe that we have access to sufficient raw materials supplies to support our expanding network. We intend to enhance our relationships with certain raw material suppliers, which may help us control production costs charged by third party manufacturers since we will have direct information about raw material prices.

Largest Suppliers

During the Track Record Period, our suppliers included third party manufacturers and raw materials suppliers. In FY2011, FY2012, FY2013 and 1HFY2014, purchases from our five largest suppliers, all of whom were third party manufacturers, amounted to approximately RMB146.0 million, RMB360.2 million, RMB392.3 million and RMB145.4 million, respectively, representing approximately 26.7%, 32.9%, 20.2% and 13.4%, respectively, of our cost of sales for the corresponding years and period. As at the Latest Practicable Date, we had worked with these suppliers for periods between one and eight years.

In FY2011, FY2012, FY2013 and 1HFY2014, purchases from our largest single supplier, which was a third party manufacturer, amounted to approximately RMB43.4 million, RMB117.6 million, RMB121.4 million and RMB39.8 million, respectively, representing approximately 7.9%, 10.7%, 6.3% and 3.7%, respectively, of our cost of sales for the corresponding years and period.

The following table sets out details about the five largest suppliers, comprising manufacturers and a decorating and related services provider, in 1HFY2014:

	Scope of Business	Duration of Business Relationship	Credit Terms	Payment	Connected Person
Supplier A.	Manufacture of clothing products, bed linen and soft toys	May 2013 to present	90 days after delivery	20% deposit and 80% balance	No
Supplier B	Manufacture and retailing of clothing products	January 2012 to present	90 days after delivery	20% deposit and 80% balance	No
Supplier C.	Sales of clothing products, knitwear products, building decoration materials and bed linen	May 2012 to present	90 days after delivery	20% deposit and 80% balance	No
Supplier D.	Process and manufacture of clothing products	September 2012 to present	90 days after delivery	20% deposit and 80% balance	No
Supplier E	Process of clothing products and sales of textile materials, knitwear products, accessory materials and leather products	January 2006 to present	90 days after delivery	20% deposit and 80% balance	No

None of our Directors, Supervisors, their associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital) had any interest in any of our five largest suppliers during the Track Record Period.

MARKETING AND PROMOTION

Frequent Flow of New Styles

We rely principally on our ability to frequently offer apparel products that reflect the prevailing fashion trends to market our products. We have been introducing new styles into the product offerings at our retail points approximately every 7 to 15 days throughout each season from 2012. We believe that this frequent flow of new styles encourages customers to repeatedly visit our retail points, provides them with a fresh shopping experience and encourages them to purchase our products during each visit.

Tailored, Focused and Co-ordinated Branding Message

We strive to develop brands that customers can easily identify and associate with style, quality and value. In order to reinforce each brand's unique identity and to ensure consistency in brand perception, we seek to co-ordinate our branding message for each brand so that it is consistent across all communication channels. We require the retail points of each brand to present a consistent and distinctive visual image, from the design and colour of the shop front to renovation, in-store displays, products presentation and staff uniforms.

Brand Awareness

As at 30 June 2014, our extensive nationwide retail network comprised 5,671 retail points located in approximately 1,900 physical locations in the PRC. Our retail points are primarily located within well-known department stores or major shopping malls, or on streets with visibility and customer traffic. We believe that such an extensive and visible footprint in the PRC, particularly in the fast-growing Tier II Cities and Tier III Cities, significantly enhances the awareness and exposure of our brands.

In order to better leverage the synergies among our brands, we sometimes place retail points of different brands next to each other or house them together in a multi-brand retail outlet or a multi-level flagship retail outlet. We believe that locating retail points of different brands within the same department store or shopping mall also puts us in a better bargaining position with the department store or shopping mall.

In August 2014, we launched our online flagship store on Tmall. As Tmall is a well-known business-to-customer online shopping platform in the PRC, we believe that our online flagship store will enhance customers' awareness of our brands.

Advertising

We advertise and enhance our brand awareness through participating the marketing and promotional campaigns organised by department stores and shopping malls where we operate our retail points. We supplement our key marketing and promotion strategies with product catalogues. In recent years, we have also increased our online presence by leveraging online social networks with a view to creating interest in our products, attracting customers to visit our retail points and increasing the awareness and exposure of our brands.

Marketing and Promotion Expenses

In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, our marketing and promotion expenses amounted to RMB24.5 million, RMB39.3 million, RMB53.0 million, RMB28.3 million and RMB32.5 million, respectively, equal to 1.3%, 1.0%, 0.9%, 1.0% and 0.9%, respectively, of our revenue for the corresponding years and periods.

OUR CUSTOMERS

As we are a clothing company that sells our products through our directly controlled and operated retail points, our customers are retail consumers. We do not allow retail consumers to make purchases on credit, except for payments through credit cards.

We had no customer who contributed, or any five customers who collectively contributed, 30% or more of our total revenue for any of FY2011, FY2012, FY2013 and 1HFY2014.

QUALITY CONTROL

We place a strong emphasis on the quality of our products and have integrated a strict and effective quality control system into each stage of our supply chain. As at the Latest Practicable Date, we had 48 employees responsible for quality control at different stages of our business operations.

Raw Materials and Finished Products

As disclosed in "– Outsourced Production and Procurement", we select and evaluate our third party manufacturers and raw materials suppliers based on stringent criteria. We regularly review the performance of our third party manufacturers and raw material suppliers.

We have manuals and protocols in place which focus on different aspects of our business operation to enhance the effectiveness of quality control. According to our internal manuals and protocols, major third party manufacturers may be staffed with our employees to conduct quality control during the production process. Our on-site inspectors are required to have meetings with the manufacturers' management on a regular basis and deliver daily and weekly reports to our quality control manager and other management with similar functions.

Our internal manuals also set out detailed procedures and requirements for examining the finished products upon delivery. Our quality control team inspects finished products on a sampling basis upon their delivery to ensure that they meet our strict standards in terms of quality, packaging, labeling, appearance, functionality and durability. Finished products that fail to meet these standards are returned to the manufacturer for replacement or refund. Our quality control team is also required to conduct re-inspection of those manufacturers according to relevant internal manuals. We also require a sample of each of the finished goods to be submitted to independent state supervision and inspection institutions for certification.

Customer Service

We strive to offer customers a pleasant shopping experience and high-quality customer service. Our sales employees are trained to have an in-depth understanding of the image and style of our brands and the needs of our target customers. We from time to time assess the performance of our sales staff to uphold the quality and consistency of our customer service.

We have organised field trips to Japan for certain members of our sales staff to enable them to gain first-hand experience of the clothing retail industry's customer service approach.

MANAGEMENT INFORMATION SYSTEM

An efficient and effective supply chain management system requires the support of a centralised and integrated management information system. We have invested in our management information system in order to improve the efficiency of our operations. We have installed the SAP ERP system, which collects and combines our key financial data, such as inventories, trade receivables and payables, to facilitate our enterprise resource planning.

Each of our retail points has a POS system that is linked to the SAP ERP system at our headquarters. Our integrated POS and ERP systems capture sales data and inventory movements at each of our retail points, and allow our management team to access this information on a daily basis and enhance our ability to monitor and manage our inventory levels across our retail network. Our management team receives reports on our overall sales and inventory and is able to retrieve such information with a breakdown by brand, geographic region and/or individual retail outlet.

In December 2012, we also installed a Business Information Warehouse and Business Intelligence (BW/BI) system to efficiently store, manage and utilise our business data. The BW/BI system is capable of extracting data from our POS, ERP, Peoplesoft and other IT systems and generating standardised and customised reports to fulfil the demands of our different departments. We have also rolled out a supply chain collaboration system to enhance communication with our third party manufacturers and raw materials suppliers and to streamline decision-making in our product development process.

In order to prepare for our growing business, we have a set of upgrade and expansion plans for our management information systems, which has been approved by our senior management and relevant local government authorities. We plan to upgrade our existing SAP ERP system, set up a new data centre and roll out a number of new systems to enhance the management of different stages of our operations. We intend to use part of the net proceeds of the Global Offering to fund these upgrade and expansion plans. Please refer to "Future Plans and Use of Proceeds".

Order Management System for Online Sales

In August 2014, we launched our online flagship store on Tmall. In order to strengthen our O2O strategy, we intend to offer our products on additional online shopping platforms (including those accessible through personal mobile devices) operated by ourselves or third parties at appropriate times in the future. As an important step in the implementation of our O2O strategy, we are also in the process of rolling out an Order Management System (OMS) to coordinate and allocate orders from online retail channels and retail points. The roll-out of the Order Management System is being financed through internal resources instead of the net proceeds of the Global Offering.

CASH MANAGEMENT

As our retail network has a wide geographic reach in the PRC and our business generates a substantial amount of cash, we seek to maintain tight control over our cash inflow and outflow. Monthly management accounts are prepared by our finance team to enable our management to monitor our cash flow carefully. We maintain stringent control over cash payments by only allowing approved members of our senior management or staff to authorise or make cash payments.

During the Track Record Period, we did not experience any material loss due to cash misappropriation.

Payments by customers for our products at our concessionaire counters and some of our standalone retail outlets located within shopping malls are collected by the department stores or shopping malls. We invoice for, and collect from each department store or shopping mall, on a monthly basis, the amounts due to us. These amounts are deposited or remitted into our designated bank accounts by the department stores or shopping malls. The amounts receivable from, and the concessionaire fees or variable rents payable to, the department stores or shopping malls are verified by reconciling our sales and inventory records with the sales records of the department stores or shopping malls.

During the Track Record Period, we did not experience any material difficulty in collecting the amounts due from department stores or shopping malls.

In the case of our other standalone retail outlets, we directly collect payments for our products from customers at the time of sales. We generally require each of our retail points to deposit all cash receipts into our designated bank accounts on a daily basis and to conduct daily reconciliation of sales records in the POS system with actual cash receipts. We also conduct regular checks on actual cash receipts against records of cash deposits and random checks on sales receipts to ensure that sales are accurately recorded by our ERP system. For payments paid by credit or debit cards, we check the statements issued by the banks that issued the credit or debit cards against the sales records in our SAP ERP system.

INVENTORY CONTROL AND LOGISTICS

Inventory Control

Given that most of the raw materials used in the production of our products during the Track Record Period were sourced by our third party manufacturers directly from raw materials suppliers, substantially all of our inventories during the Track Record Period comprised finished products.

As we directly control and operate 100% of our retail points, we need to maintain sufficient finished products in our warehouses to support the sales growth driven by the expansion of our retail network, to meet anticipated customer demand for different colours and designs and to support the introduction of new collections. For the same reason, we have longer average inventory turnover days in comparison with our competitors that adopt different distribution models. In FY2011, FY2012, FY2013 and 1HFY2014, our average inventory turnover days was 212 days, 204 days, 199 days and 212 days, respectively. As at 31 December 2011, 2012, 2013 and 30 June 2014, the balance of our inventories accounted for approximately 44.0%, 45.4%, 44.1% and 43.2%, respectively, of our total current assets.

In addition, we make provisions for our inventories. The provisions are recognised as an expense in our consolidated statements of comprehensive income. The amounts of provisions depend on our estimates about the selling prices of inventories based on their ages and the market conditions when the provisions are made. In FY2011, FY2012, FY2013 and 1HFY2014, provisions for inventories amounted to RMB8.4 million, RMB36.0 million, RMB92.1 million and RMB59.5 million, respectively.

The following table sets out the aging analysis of our inventory balances of finished goods as at the dates indicated:

	As at 31 December									As at 30 June		
	2011			2012			2013			2014		
	(RMB thousands)											
	Original Value	Provision	Balance	Original Value	Provision	Balance	Original Value	Provision	Balance	Original Value	Provision	Balance
2010 collections	44,229	12,743	31,486	14,410	12,998	1,412	7	7	–	7	7	–
2011 collections	355,441	3,558	351,883	78,137	27,304	50,833	56,594	51,013	5,581	25,063	23,791	1,272
2012 collections	2,411	–	2,411	761,793	6,048	755,745	181,980	58,591	123,389	168,055	80,727	87,328
2013 collections	–	–	–	7,160	–	7,160	1,160,452	7,246	1,153,206	540,519	59,748	480,771
2014 collections	–	–	–	–	–	–	81	–	81	631,377	–	631,377
Total balance	402,081	16,301	385,780	861,500	46,350	815,150	1,399,114	116,857	1,282,257	1,365,021	164,273	1,200,748

We believe that the nature of our business requires us to have sufficient stock of products in different sizes, colours and designs for display and to satisfy demand from customers and we typically need two or more related sales seasons in different years to sell a majority of the products for each season. Our inventory balances significantly increased during the Track Record Period primarily as a result of the expansion of our retail network and launch of new brands, which required additional inventories to support our growing sales. The increase in our inventory balance as at 31 December 2013 in comparison with 31 December 2012 was also attributable to relatively warm winter months at the end of 2013, which adversely impacted sales of our winter outfits towards the end of FY2013. Please refer to "Financial Information".

Given the significant impact of inventories on our financial condition and results of operations, we have taken various measures to control our inventory levels. We manage our inventories primarily through monitoring stock, optimising product delivery schedules and conducting promotional sales.

Monitoring of Stock

The SAP ERP system at our headquarters is linked to the POS system installed at each of our retail points. Such integrated systems allow us to access daily data about our inventory levels and movements of our stock. All of our products stocked at our retail points and warehouses have barcodes which are given based on their respective design, colour and size. Before a product is sold or transferred, we require our sales staff to scan its barcode and record the sale or reallocation in the POS system at the retail point. The POS system at each of our retail points uploads all sales and inventory information about our products at the end of each day, which provides us with information about stock movements necessary to optimise our inventory and sales planning.

Our regional sales managers and the sales manager of each retail point closely monitor our inventories movements and sales progress. We believe that our highly transparent inventory levels and systematic internal controls allow us to promptly respond to any material change in inventory levels and significantly minimise our risk exposure to excess inventories.

Production and Logistics Control

Production and Stock-in

We seek to synchronise our procurement schedule for each collection or design with the time period within which the collection or design is scheduled to be offered at our retail points. We usually place orders for products after we confirm the quantity of products to be produced for each style and the procurement schedule for each season. For each style, we generally place orders of products with our third party manufacturers not less than three months before the products are scheduled to be offered at our retail points.

A purchase order typically contains information about, among others, the quantity of products we procure and shipping details (such as time and destination of delivery). Our products are typically delivered to our warehouses before we distribute them to different retail points. Upon arrival of the products, we sample check the quantity and details of the products based on the third party manufacturers' delivery notes, and then register the products in our system by scanning barcodes on the products. We inform the third party manufacturers of any discrepancy between the products delivered and the particulars on their delivery notes. We may claim compensation against third party manufacturers for defective or insufficient shipments where the related outsourced production agreement allows.

Each of our retail points is required to conduct a monthly physical stock-take to ensure the accuracy of our records and to identify obsolete or damaged products.

Stock-out

Our logistics department is responsible for distributing our products from our warehouses to each of our retail points, the process of which is typically outsourced to third-party logistics companies. Before our stock is distributed from a warehouse, we require our staff at our warehouses to scan the barcodes on the products to make sure that the delivery matches our internal arrangements. A delivery note with a description of the products delivered is recorded in our information systems and used for an on-site cross check by the sales managers of our retail points upon delivery of the products. The retail points will register the products in the POS system installed at the relevant retail points after they receive the products.

We sometimes need to transfer stock between retail points to balance the inventories at different retail points or to capture the sales opportunities at a particular retail point. We require our retail points to promptly update the records in the SAP ERP system to reflect our stock movements between different retail points.

Promotional Sales

In addition to the control measures mentioned above, we seek to reduce our inventory levels through promotional events or other marketing activities. We sell a proportion of our slow-moving or out-of-season products at a higher discount to further reduce our inventory levels. Please refer to "– Our Extensive Nationwide Retail Network – Pricing and Discount Strategies".

Warehousing and Logistics

As at the Latest Practicable Date, we owned and directly operated our regional warehousing and logistics operation centre in Taicang, Jiangsu Province, which commenced operations in August 2014. This operation centre has a total gross floor area of approximately 89,000 square metres and is responsible for providing warehousing and logistics support for our operations in eastern China.

As at the Latest Practicable Date, we also leased and directly operated three smaller warehousing and logistics centres with a total gross floor area of approximately 12,735 square metres. These warehousing and logistics centres are strategically located in Tianjin, Chengdu and Chongqing to enable us to distribute our products to our retail points efficiently.

Our third party manufacturers and raw materials suppliers generally bear the costs and risks associated with deliveries of finished products and raw materials to our warehousing and logistics centres and our third party manufacturers, respectively.

We engage third-party logistics companies to distribute our products from our warehousing and logistics centres to our retail points. These third-party logistics companies are generally required to bear the risks associated with deliveries to our retail points.

Development of Our Logistics Infrastructures

To better align our warehousing and logistics infrastructures with our expansion plans for our retail network, we acquired a parcel of land in Tianjin which has a total site area of approximately 66,694 square metres, and we intend to acquire more land, such as in Chengdu, to develop additional warehousing and logistics centres in preparation for the future expansion of our retail network. We believe the enhancements to our warehousing and logistics infrastructures will enable us to deliver our products to our retail points more efficiently.

EMPLOYEES

As at 30 June 2014, we employed 29,437 full-time employees, all of whom were based in the PRC.

The following table sets out a breakdown of the number of our full-time employees by function as at 30 June 2014:

Function	Number of employees
Product management	196
Product development and design	262
Procurement and logistics	318
Marketing and sales	27,828
Finance	158
Administration and others	675
Total	29,437

Our compensation structure is designed to incentivise our employees by linking a portion of their compensation to the performance of our business. At the end of each month, a retail point that attains or exceeds its sales target for the month will be given a certain percentage of its sales amount for the month as bonus. This bonus will then be shared among the sales staff at such retail point in accordance with their respective individual sales performance during the month. In order to align the interests of our management-level employees with our interests, we have put in place a bonus scheme to provide them with incentives to improve the performance of our business.

In addition, we have in place a pension contribution plan, a medical insurance plan, an unemployment insurance plan, an employee injury insurance plan, a maternity insurance plan and a housing fund for our employees in accordance with applicable PRC laws and regulations on social insurance and housing funds. Our PRC legal adviser, Grandall Law Firm (Shanghai) has confirmed, based on its investigation and confirmations issued by relevant government authorities and third-party human resources agencies, that we did not commit any material breach or violation of applicable PRC laws or regulations during the Track Record Period.

During the Track Record Period and as at the Latest Practicable Date, we had not experienced any material disputes with our employees.

Training and Corporate Culture

Members of our senior management share a belief that the on-going development of our employees is critical to our success. They place a strong emphasis on learning and development. We provide our employees with tailored training programmes that are designed to upgrade their skills and knowledge and to prepare them for the next step in their career path. We also invite external speakers to conduct seminars on specific topics for our employees on a regular basis. We offer different advanced training programmes to our management-level employees focusing on developing different skills related to our operations. Our mid-level management employees regularly attend executive development programmes at leading universities in the PRC. We also send selected members of our management-level employees to attend Executive Master in Business Administration programmes at leading universities in the PRC.

We plan to set up a management school in Shanghai to provide training for our employees. The management school, which will be operated on a leased property, is designed to have a total gross floor area of approximately 2,287 square metres. The renovation of the leased property is estimated to take approximately two years. We intend to fund this project with part of the net proceeds of the Global Offering. Please refer to "Future Plans and Use of Proceeds".

Our senior management also places a strong emphasis on the happiness of our employees by striving to develop a strong sense of camaraderie among our employees and to create a motivating environment to enhance employee loyalty and work dedication.

INTELLECTUAL PROPERTY RIGHTS

Our trademarks and trade names are key to our success and competitiveness and we have contributed substantial resources to enhance our brand recognition in the PRC. As at the Latest Practicable Date, we had completed registrations of all of our trademarks and trade names in the PRC except Pote. We submitted the registration application relating to the Pote trademark on 1 February 2013, and the final registration certificate was pending from the relevant PRC authorities as at the Latest Practicable Date in the PRC. Depending on our development plan, we may register our trademarks and trade names in other countries and regions where we intend to enter. As at the Latest Practicable Date, we were not aware of any material violations or infringement of our trademarks and intellectual property rights. Please refer to Appendix VI – "Statutory and General Information – Further Information about Our Business – Intellectual Property Rights of the Group". Historically, we were occasionally aware of small quantities of counterfeit products sold under our brands in the PRC or through online platforms.

LAND AND PROPERTIES

Land and Properties owned by us

As at the Latest Practicable Date, the properties of our Group comprised (i) two parcels of land located in Taicang, Jiangsu Province and a property that is constructed on one of these two parcels of land; and (ii) a parcel of land located in Tianjin.

The two parcels of land located in Taicang comprised one parcel of land having a total site area of approximately 54,463 square metres (the "First Taicang Land") and another parcel of land having a total site area of approximately 72,459 square metres (the "Second Taicang Land"). As at the Latest Practicable Date, we had fully paid the land premium for these two parcels of land and had obtained the land use right certificate with respect to the First Taicang Land. Our PRC legal adviser, Grandall Law Firm (Shanghai), is of the view that our land use right in respect of the First Taicang Land is legal and valid, and is protected under PRC laws. We are in the process of applying for the land use right certificate in respect to the Second Taicang Land and according to our PRC legal adviser, Grandall Law Firm (Shanghai), there is no legal impediment in obtaining such certificate.

Our property in Taicang is constructed on the First Taicang Land and has a total gross floor area of approximately 89,000 square metres. It is the first phase of construction of our regional warehousing and logistics operation centre in eastern China. As at the Latest Practicable Date, we had obtained the completion of construction certificate with respect to this property and we are in the process of applying for the ownership certificate. According to our PRC legal adviser, Grandall Law Firm (Shanghai), there is no legal impediment in obtaining such ownership certificate.

The parcel of land located in Tianjin has a total site area of approximately 66,694 square metres. As at the Latest Practicable Date, we had fully paid the land premium and we are in the process of applying for the land use right certificate in respect to this land. According to our PRC legal adviser, Grandall Law Firm (Shanghai), there is no legal impediment in obtaining such certificate.

As at the Latest Practicable Date, we did not own any land or properties in the PRC except as otherwise disclosed in this prospectus.

Properties leased by us

As at 30 June 2014, we leased 734 properties with a total gross floor area of approximately 454,452 square metres from Independent Third Parties. A majority of the leased properties for operating our standalone retail outlets and the remaining is used for office and warehousing (all of which are non-property activities as defined under Rule 5.01(2) of the Listing Rules).

As at the Latest Practicable Date, there were defects in the titles of certain of our leased properties which may render the lease agreements relating to the affected properties unenforceable under applicable PRC laws. All of the lease agreements relating to our leased properties had not been filed with the relevant PRC housing administration authorities according to applicable PRC regulations as at the Latest Practicable Date. As a consequence, we are exposed to a potential relocation risk if our rights to use those properties are successfully challenged and we might be subject to administrative fines for failing to complete the filings. See "Risk Factors – Risks Related to Our Business and the Clothing Industry – Some of our leased properties have defective titles and we may be required to cease occupation and use of such leased properties if there is a valid claim for them".

We consider that the defects in the titles of our leased properties and the failure to complete the administrative filings are primarily attributable to reasons beyond our control because the lessors of those properties are responsible for procuring the necessary ownership certificates and providing documents and information necessary for the administrative filings. We understand that, as at the Latest Practicable Date, some of the lessors were in the process of procuring the property ownership certificates or the construction completion acceptance receipts.

As advised by our PRC legal adviser, Grandall Law Firm (Shanghai), we, as lessee in good faith, will not be penalised for occupying, leasing or using those properties that have defects in their titles. Failing to complete the administrative filings with respect to certain of our lease agreements does not render the relevant lease agreements invalid or unenforceable. As at the Latest Practicable Date, we had not encountered any material obstacles or challenges to our leasing and using of those properties, and we had not been subject to any administrative, civil or criminal liabilities for the defective titles of the properties or failure to complete the administrative filings.

In order to minimise the potential adverse impact of this uncertainty on our operations, we plan to continue to maintain regular communication with lessors regarding the progress of their remediation of the defects. We have established guidance and strengthened internal procedures to improve assessment for selecting locations of our retail points. If we are required to cease occupying and using the relevant properties, we believe that we will be able to find suitable replacements without material delay in nearby shopping malls and commercial buildings where alternatives are generally available. In addition, we are entitled to compensation from a majority of the lessors for our losses and damages as a result of relocation pursuant to the terms of the relevant lease agreements or the undertaking of indemnity they have made. We have received an undertaking from Mr. Xing Jiangxing, that he will indemnify us for all the losses (including loss of profits of relevant retail points) and damages we incur as a result of the defects in the titles of our leased properties or our failure to complete the requisite administrative filings with respect to our lease agreements. Taking all of these factors into consideration, our PRC legal adviser, Grandall Law Firm (Shanghai), is of the view that the abovementioned defects and non-compliance are not likely to have a material adverse impact on our business, financial condition or results of operations.

As at the Latest Practicable Date, each of our properties had a carrying amount of less than 15% of our consolidated total assets. As a result, we are exempt, under applicable laws and rules in Hong Kong, from including a valuation report on our property interests in this prospectus. Please refer to "Waivers and Exemptions – Waivers from Compliance with the Listing Rules and Exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Property Valuation" for further details.

INSURANCE

As at the Latest Practicable Date, we maintained the following insurance relating to our operation in the PRC:

- *third-party liabilities insurance* – this policy protects us against losses and damages of properties and personal injuries at certain of our retail points.

- *all-risks insurance* – this policy protects us against losses and damages to our property (such as inventories, raw materials, furniture and office equipment) at certain of our retail points, warehouses and offices as a result of theft, fire, smoke, strikes and riots.

- *employer liabilities insurance* – this policy protects us against losses as a result of fatalities or personal injuries of certain of our employees.

We review our insurance policies from time to time for adequacy in the breadth of coverage. We believe our existing insurance coverage is in line with the general industry practice in the PRC and is sufficient for our existing operations.

During the Track Record Period, we did not have any material claims under our insurance policies and we did not receive any material claim from our customers relating to any liability arising from the use of our products.

MARKET AND COMPETITION

The PRC mass-market ladies' casualwear market segment has significantly expanded during the past decades as a result of continued economic development and urbanisation in the PRC, and its large growth potential has attracted a number of international and domestic brands, making this segment fragmented. Euromonitor forecasts that international brands will continue to accelerate their expansion in the PRC, while domestic brands will improve on design capability and brand building to achieve growth. Competition among different brands is expected to intensify and shift to markets where consumer spending is less strong but has more significant growth potential than in Tier I Cities.

In recent years, many international brands have accelerated development and expansion in the PRC. Some of them have leveraged their established international reputation and brand awareness and achieved premium pricing. Some international brands have strong financial resources allowing them to expand their distribution networks. We consider that these international brands will continue to be our principal competitors in the near future.

We intend to continue the strategic expansion of our retail network in the PRC while enhancing the performance of our existing retail points. We plan to continue our direct sales model to help us control our inventory risk as we expand our retail network. We believe this business model, which sets us apart from many of our competitors, will benefit us in the long run. We are also rolling out upgrades to our information systems and strengthening our warehousing and logistics capabilities. We are confident that effective implementation of these strategies, together with our existing strengths, will allow us to compete successfully in the future.

HEALTH, WORK SAFETY AND ENVIRONMENTAL PROTECTION

We place great emphasis on occupational health and safety. During the Track Record Period and as at the Latest Practicable Date, none of our employees had been involved in any major workplace accident in the course of their employment, and we had not been subject to disciplinary actions with respect to labour protection issues. During the Track Record Period, we complied with all applicable labour and safety laws and regulations in all material respects.

We have recently revised our form of procurement contracts to include undertakings that require our third party manufacturers and suppliers to conduct various actions to maintain occupational health and safety, such as procuring the requisite health and safety certificates and permits, providing employees with protective clothing and installing devices that improve ventilation. We strictly prohibit manufacturers and suppliers from recruiting minors and engaging in coercive activities. We also require third party manufacturers to guarantee due payment of employee salaries and wages and the relevant benefits.

We outsource all of our production to third party manufacturers and focus on product design, marketing and product sales. As such, we believe that our operation does not produce material industrial waste and has a limited impact on the environment compared to companies that directly engage in production. As confirmed by our PRC legal adviser, Grandall Law Firm (Shanghai), as at the Latest Practicable Date, we had obtained all the approvals, certificates and permits necessary for our operation pursuant to applicable environmental laws and regulations in the PRC, and we did not violate, or receive any punishment, under applicable environmental laws and regulations in the PRC during the Track Record Period.

LEGAL COMPLIANCE AND PROCEEDINGS

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened against any member of our Group.

We confirm that, during the period from the commencement of the Track Record Period to the Latest Practicable Date, there had not been any breach or violation of any law or regulation of the PRC (including laws and regulations relating to employment, social insurance and housing fund contribution) applicable to us that would have a material adverse effect on our financial condition or results of operations. As at the Latest Practicable Date, we had obtained all material licences and permits necessary for our business operations in the PRC.

We are incorporated, and all of our business is located, in the PRC.

This section sets out summaries of certain aspects of the PRC laws and regulations which are relevant to the operation and business of the Company.

Laws and regulations relating to the PRC retail sector

The principal PRC laws and regulations governing foreign investment in retail enterprises include, but are not limited to, the Foreign Investment Catalogue, the Administrative Measures, the Distribution Circular, the PRC Competition Law, the PRC Consumer Protection Law, the PRC Product Quality Law and the PRC Employment Contract Law. These laws and regulations are summarised in this section.

The Foreign Investment Catalogue

The Foreign Investment Catalogue lists out specific industries and economic activities which foreign investment in the PRC is encouraged in, or from which foreign investment in the PRC is restricted or prohibited.

The PRC State Planning Commission (中華人民共和國國家計劃委員會), the PRC State Economic and Trade Commission (中華人民共和國國家經濟貿易委員會) and the PRC Ministry of Foreign Trade and Economic Co-operation (中華人民共和國對外貿易經濟合作部) jointly promulgated the Foreign Investment Catalogue in 1995. Since then, the Foreign Investment Catalogue has been revised several times, with the most significant revisions taking place in 2002, 2004, 2007 and 2011. The version of the Foreign Investment Catalogue currently in effect was jointly promulgated by the NDRC and the Ministry of Commerce on 24 December 2011 and came into effect on 30 January 2012. On the same day, the Foreign Investment Catalogues (amended in 2007) was repealed.

In general, the Foreign Investment Catalogue (amended in 2011) improves Foreign Investors' access to commercial and financial services and activities contributing to environmental protection and advanced manufacturing activities while placing greater restrictions on access to investments in real estate, media-related activities and production activities for which foreign investment is no longer considered necessary to ensure future development.

The Administrative Measures and the Distribution Circular

The principal legal provisions governing foreign investment in the commercial sector are set out in the Administrative Measures which were promulgated on 16 April 2004 and came into effect on 1 June 2004.

The PRC started to open its retail industry to foreign investment in the early 1990s. In 1992, the State Council introduced qualifications and conditions for foreign investment in commercial retail enterprises with the promulgation of the "Approval and Reply Concerning the Use of Foreign Investment in the Commercial Retail Sector". In 1999, the former PRC State Economic and Trade Commission (中華人民共和國國家經濟貿易委員會) and the former PRC Ministry of Foreign Trade and Economic Co-operation (中華人民共和國對外貿易經濟合作部) jointly promulgated the "Interim Measures on Foreign Investment in Commercial Enterprises", setting out conditions for joint venture partners and geographic restrictions for foreign investment in the commercial sector.

Following the PRC's accession to the World Trade Organisation and in fulfilment of its commitments, the PRC government promulgated the Administrative Measures which replaced the "Interim Measures on Foreign Investment in Commercial Enterprises" and removed the conditions for joint venture partners and geographic restrictions provided in the previous regulations. According to the Administrative Measures, a foreign-invested commercial enterprise must fulfil the following requirements:

- maintaining a minimum registered capital which is in compliance with the relevant provisions of the PRC Company Law and comply with the relevant provisions on registered capital and total investment of a foreign-invested enterprise; and
- the term of operation of a foreign-invested commercial enterprise not exceeding 30 years in general and not exceeding 40 years in general in the case of a foreign-invested commercial enterprise established in central and western China.

In addition, a foreign-invested commercial enterprise which intends to open stores must fulfil the following requirements:

- where an application is made for the establishment of a store at the same time as the application for the establishment of a commercial enterprise, it shall comply with the relevant provisions on city development and urban commercial development; and
- where an application for the establishment of a store is made by a foreign-invested commercial enterprise whose establishment has been approved, it shall, in addition to complying with the above requirements, have completed the joint annual examination on foreign-invested enterprises and have fully paid up its registered capital.

On 2 April 2005, the Distribution Circular was promulgated by the Ministry of Commerce which came into effect on the same date. Compared to the Administrative Measures, the Distribution Circular further stipulates that a non-commercial foreign-invested enterprise is allowed to expand its business scope to include distribution activities, subject to the relevant approvals and registration procedures as set out in the Distribution Circular.

PRC Competition Law

The principal legal provisions governing market competition are set out in the PRC Competition Law, which was promulgated on 2 September 1993 and came into effect on 1 December 1993.

The PRC Competition Law provides that business operators shall not undermine their competitors by engaging in the following improper market activities:

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

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

PRC Consumer Protection Law

The principal legal provisions for the protection of consumer interests are set out in the PRC Consumer Protection Law, which was promulgated on 31 October 1993 and came into effect on 1 January 1994, and was subsequently amended in 2009 and 2013. Pursuant to the PRC Consumer Protection Law, business operators shall have the following obligations:

- ensuring that goods and services provided to consumers comply with relevant laws and regulations, including requirements regarding personal safety and protection of property;
- issuing vouchers for goods or services to consumers in accordance with relevant national regulations or business practices or upon the request of a consumer;
- ensuring the quality, functionality, application and duration of use of the goods or services under normal use and ensuring that the actual quality of the goods or services are consistent with that displayed in advertising materials, product descriptions, samples or any other manners;
- properly performing its responsibilities for guaranteed repair, replacement, return or other liability in accordance with national regulations or any agreement with consumers; and
- not setting unreasonable or unfair terms for consumers or excluding itself from civil liability for undermining the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices and the like.

Violations of the above PRC Consumer Protection Law may result in the imposition of fines. In addition, the relevant business operator will be ordered to suspend its operations and its business licence will be revoked. Criminal liability may be incurred in serious cases. According to the PRC Consumer Protection Law, a consumer whose legal rights and interests are prejudiced during the purchase or use of goods may demand compensation from the seller. Where the responsibility lies with the manufacturer or another seller that provides the goods to the seller, the seller shall, after settling the claim, have the right to recover such claim from that manufacturer or that other seller. Consumers or parties who suffer injuries or property losses due to product defects in commodities may demand compensation from the manufacturer as well as the seller. Where the responsibility lies with the manufacturer, the seller shall, after settling the claim, have the right to recover such claim from the manufacturer, and vice versa.

PRC Product Quality Law

The principal legal provisions governing product liability are set out in the PRC Product Quality Law, which was promulgated on 22 February 1993 and amended on 8 July 2000. Pursuant to the PRC Product Quality Law, business operators shall have the following obligations:

- a check-for-acceptance system for stock replenishment shall be adopted to examine the quality certificates and other labels of the replenished stock;
- measures shall be adopted to keep products for sale in good quality;
- expired or deteriorated products, the sale of which has been publicly ordered to be discontinued, are not to be sold;
- products must be sold with labels that comply with the relevant provisions;
- sellers must not forge the origin of a product, or fraudulently use the name or address of another producer;

- sellers must not forge or fraudulently use product quality marks such as authentication marks; and
- sellers must not mix impurities or imitations into products, or substitute a fake product for a genuine one, a defective product for a high-quality one, or pass a substandard product off as an up-to-standard one.

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

- be responsible for the quality of products it produces;
- not produce products, the production of which has been publicly ordered to discontinue;
- not forge the origin of a product, or fraudulently use the name or address of another producer;
- not forge or fraudulently use product quality marks such as the authentication marks of another producer;
- not mix impurities or imitations into products, or substitute a fake product for a genuine one, or a defective product for a high-quality one, or pass a substandard product off as an up-to-standard one;
- ensure that the marks on products or the packaging of products are genuine; and
- ensure that the packages of dangerous products, such as fragile, inflammable, explosive, poisonous, corrosive and radioactive products, products that should be kept upright during storage and transportation and other products with special requirements meet the necessary requirements in respect of their quality and carry warning marks or statements in Chinese containing directions for storage and transportation, as required by relevant State regulations.

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

According to the PRC Product Quality Law, consumers or victims who suffer injuries or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility lies with the producer, the seller shall, after settling the claim, have the right to recover such claim from the producer, and vice versa.

PRC Employment Contract Law

The PRC Employment Contract Law came into effect on 1 January 2008, and was subsequently amended on 28 December 2012, with the amendments coming into effect on 1 July 2013. The PRC Employment Contract Law is primarily aimed at the regulation of employer/employee rights and obligations, including matters with respect to the establishment, performance and termination of employment contracts. Under the PRC Employment Contract Law: (i) employers must pay employees double income in circumstances where an employer fails to enter into an employment contract within one year with an employee who works for the employer for a period exceeding one month. Where such period exceeds one year, the parties are deemed to have entered into an employment contract with an unfixed term; (ii) employees who fulfil certain criteria, including having worked for the same employer for 10 years or more, may demand that the employer execute an employment contract with an unfixed term; (iii) employees must adhere to the regulations concerning commercial confidentiality and non-competition; (iv) the range of situations in which employers must lawfully compensate employees has increased; (v) an upper limit has been set on the amount of compensation an employer may seek for an employee's breach of the contract. The upper limit may not exceed the cost of training supplied to the employee; (vi) employees in respect of whom employers have not in accordance with law made social insurance contributions may terminate their employment contracts; (vii) employers who demand money or property from employees by way of guarantee or whatsoever are subject to a maximum fine of RMB2,000; and (viii) employers who intentionally deprive employees of any part of their salary must, in addition to the relevant employees' full salary, pay them compensation in the order of 50% to 100% of the amount of salary so deprived.

Laws and regulations relating to the PRC online trading

In accordance with the *Administrative Measures for Online Trading* promulgated by the State Administration for Industry and Commerce which came into effect on 15 March 2014 (the "Measures"), any business activity of selling goods or providing services through the Internet within the PRC shall abide by the laws and regulations of the PRC and the provisions of the Measures. Persons engaged in operation of online goods trading ("Online Goods Operators") are required to make an industrial and commercial registration in accordance with laws. In selling goods or providing services to consumers, Online Goods Operators must observe the *Law on the Protection of Consumer Rights and Interests, the Product Quality Law*, and provisions of other laws, regulations and rules. Online Goods Operators must not infringe other operators' lawful rights and interests by unfair competition, disturb social and economic order, or engage in any of the following unfair competition activities by using internet technology, media or other means:

(1) using unique domain name, name and/or logo of famous website without authorization, or using any domain name, name and/or logo that are analogous to those of a famous website and confusing with other famous website, and cause mistakes by consumers;

(2) using or forging electronic sign or logo of governmental authorities or social organisation without authorization, creating misleading and false publicity;

(3) conducting sales which carry a chance to win a lottery with any virtual goods as the prize, and the value of such virtual goods agreed on the network market exceeds the maximum amount permitted by laws;

(4) improving business reputation or credit standing (either for itself or for others) through fictitious transactions, removing negative comments or otherwise;

(5) damaging competitors' business reputation or credit standing through malicious comments contrary to the facts after conclusion of a transaction; and

(6) other unfair competition activities as defined by laws and regulations.

According to the Measures, when selling goods or providing services to consumers, Online Goods Operators must state information such as the business address, contact information, quantity and quality, price or expense, performance period and means, payment method and return or placement method of goods or services, safety precautions, risk warning, civil liabilities and so on. The Online Goods Operators must also take safety guarantee measures to ensure the safety of transactions and must provide such goods or services as promised. Where an Online Goods Operator sells goods, the consumer is entitled to return the goods within seven days from the date of receiving of the goods without giving a reason, except for the following:

(1) customized goods;

(2) fresh and perishable goods;

(3) audiovisual products downloaded online or unpackaged by consumers and computer software and other digital commodities; and

(4) newspapers and journals that have been delivered.

Save for the goods listed in the preceding paragraph, the right of the consumer to return the goods within a specified period without reasons does not apply to those goods which the consumer confirmed as not suitable for return given their nature at the time of purchase.

Goods must be returned in good condition by consumers. The online operators shall, within seven days upon receipt of the returned goods, refund the price paid by consumers for relevant goods. Freight for the returned goods shall be borne by the consumers but where the online operators and the consumers reach an agreement separately, such agreement will prevail.

Regulatory and Shareholder approval required for a proposed listing

According to provisions stated in the PRC Securities Law (中華人民共和國證券法), and the Special Regulations, when a company intends to issue, list and transact its securities on an overseas stock exchange, it shall obtain the prior approval from the securities regulatory authority of the State Council. The Guidelines for Supervising the Application Documents and Examination Procedures for Overseas Stock Issuance and Listing by Joint Stock Companies (關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引) which was promulgated on 20 December 2012 and came into effect on 1 January 2013 provides that the review and approval process for those companies applying for issuing and listing its securities overseas includes: (i) the company has to submit various required application documents to the CSRC, (ii) the CSRC will review the application documents, and decide whether to accept the application and to issue an administration permit, allowing the company to issue and list its securities overseas, according to the relevant PRC laws and regulations, (iii) upon receipt of the CSRC's acceptance of the application, the company may proceed to file its initial application for issuing and listing its securities with the relevant overseas securities regulatory authority or stock exchange, (iv) upon receipt of the administration permit from the CSRC, the company may continue the listing application process with the overseas securities regulatory authority or stock exchange, and (v) within 15 working days following the completion of the proposed issuing and listing, the company will have to submit a written report to the CSRC regarding the completion. The administration permit issued by the CSRC will be valid for 12 months.

In addition, our Articles of Association also provide that the public offering plan (including without limitation, issuing price, valuation, selection of the stock exchange and the timing of listing) shall be reviewed and approved by our Shareholders.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information and notes thereto set forth in the Accountant's Report included as Appendix I in this prospectus. Our consolidated financial information has been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The following discussion and analysis contain forward-looking statements that reflect our current views on future events and our financial performance. We make those statements based on our assumptions in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. However, actual outcomes and developments are exposed to a number of risks and uncertainties and may not meet our forecasts or expectations. Please refer to "Risk Factors" and "Forward-looking Statements" for discussions of those risks and uncertainties.

Our financial year begins on 1 January and ends on 31 December. All references to "FY2011", "FY2012" and "FY2013" mean the financial years ended 31 December 2011, 2012 and 2013, respectively. All references to "1HFY2013" and "1HFY2014" mean the six months ended 30 June 2013 and 2014, respectively.

OVERVIEW

We are a fast-growing multi-brand fashion group in the PRC that designs, markets and sells apparel products with a focus on mass-market ladies' casualwear. We strive to offer customers the latest fashions at competitive prices through a wide range of apparel products under eight brands, namely La Chapelle, La Chapelle Sport, 7. Modifier, Candie's, La Chapelle Homme, La Babité, La Chapelle Kids and Pote.

We have established a leading position in the mass-market ladies' casualwear segment in the PRC. According to the Euromonitor Report, we ranked third (in terms of market share based on retail sales), and had a market share (based on retail sales) of approximately 5.7%, in this market segment in the PRC in 2013, placing us ahead of some well-known international brands. Retail sales in this market segment in the PRC reached RMB123.3 billion in 2013, representing approximately 65.3% of the total retail sales in the mass-market adult casualwear segment in the PRC in 2013, according to the Euromonitor Report. Euromonitor estimates that retail sales in the mass-market ladies' casualwear segment in the PRC will reach approximately RMB217.4 billion in 2018 (representing a CAGR of approximately 12.0% from 2013 to 2018), which will represent approximately 66.2% of the estimated total retail sales in the mass-market adult casualwear segment in the PRC in 2018. While our business has a focus on ladieswear, we have diversified into menswear by launching La Chapelle Homme and Pote and into childrenswear by launching La Chapelle Kids.

We sell our products directly to retail customers through retail points (100% of which are directly controlled and operated by us) and, since August 2014, through our online flagship store on Tmall (a well-known business-to-customer online shopping platform in the PRC). This direct retail sales model sets us apart from the majority of our competitors. As at 30 June 2014, our extensive nationwide retail network comprised 5,671 retail points located in approximately 1,900 physical locations, mainly department stores and shopping malls, across all 31 provinces, autonomous regions and municipalities in the PRC.

We have adopted a business model that enables us to focus on our core strengths in product design, brand development and retail network management. We outsource the production of all our products to third party manufacturers in the PRC. Most of our third party manufacturers procure raw materials based on our requirements, produce the products based on our designs and sell us the finished goods.

Our revenue increased significantly during the first three financial years of the Track Record Period, from RMB1,864.2 million in FY2011 to RMB3,872.1 million in FY2012 and RMB6,225.1 million in FY2013, representing a CAGR of 82.7%. Our revenue increased from RMB2,799.9 million for 1HFY2013 to RMB3,510.8 million for 1HFY2014, representing an increase of 25.4%. Our net profit for the year increased from RMB123.0 million in FY2011 to RMB259.6 million in FY2012 and RMB413.4 million in FY2013, representing a CAGR of 83.3%. Our net profit increased from RMB169.0 million for 1HFY2013 to RMB230.6 million for 1HFY2014, representing an increase of 36.4%.

FACTORS AFFECTING FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been, and may continue to be, directly and indirectly affected by a number of factors, including those set forth below.

Direct Sales Model and Expansion of Our Retail Network

During the Track Record Period, we pursued a rapid retail network expansion strategy, with the number of retail points growing from 1,841 as at 31 December 2011 to 5,671 as at 30 June 2014, and we directly controlled and operated all of our retail points. Please refer to "Business – Our Extensive Nationwide Retail Network". This strategy affected our results of operations during the Track Record Period by increasing revenue and selling and marketing expenses. The expansion of our retail network also increased our inventory levels, trade receivables, cash outflow and capital expenditure.

- *Revenue* – Our ability to increase sales is directly affected by the number of retail points in our retail network. During the Track Record Period, we experienced a significant increase in our revenue and profit. This increase was primarily attributable to the opening of our retail points in the PRC as well as an increase in our Same Store Sales from FY2011 to FY2013. As at 31 December 2011, 2012 and 2013 and 30 June 2014, we had 1,841, 3,340, 5,384 and 5,671 retail points, respectively, in the PRC. However, in 1HFY2014, our Same Store Sales decreased by 3.4% compared to our Same Store Sales in 1HFY2013. Please refer to "– Explanation of Same Store Sales".

- *Selling and Marketing Expenses* – As a result of our direct sales model, we directly assume significant selling and marketing expenses relating to our retail network, such as concessionaire fees related to our concessionaire counters, rental expenses related to our standalone retail outlets and salaries of our sales employees. As we expanded our sales network during the Track Record Period, our selling and marketing expenses increased substantially. In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, our selling and marketing expenses amounted to RMB1,053.2 million, RMB2,265.3 million, RMB3,495.4 million, RMB1,566.9 million and RMB1,963.8 million, respectively, representing 56.5%, 58.5%, 56.2%, 56.0% and 55.9%, respectively, of our revenue for the corresponding years and periods.

- *Inventories* – The nature of our business requires us to maintain sufficient inventories to support the sales growth driven by the expansion of our retail network and to have products in different designs, colours and sizes for display and to satisfy demand from customers. In addition, inventories stocked at new retail points typically have a lower average turnover than inventories stocked at those retail points in operation for a longer period of time, primarily as a result of less market recognition and customer loyalty of the new retail points. Therefore, our inventory levels typically increase as our retail network expands. As at 31 December 2011, 2012 and 2013 and 30 June 2014, 39.3%, 44.9%, 43.0% and 33.4%, respectively, of our retail points had an operating history of less than one year. As at 31 December 2011, 2012 and 2013 and 30 June 2014, our inventories, which primarily comprised inventories of finished goods, constituted

36.0%, 35.1%, 33.2% and 32.5%, respectively, of our total assets. Please refer to "– Description of Selected Line Items in Our Consolidated Balance Sheets – Inventories" and "Business – Inventory Control and Logistics".

- *Trade Receivables* – Our trade receivables primarily comprise payments received from our sales at our concessionaire counters within department stores. Our trade receivables are primarily affected by the sales of our products made at our concessionaire counters, which are in turn affected by the growth in the number of our concessionaire counters. Please refer to "Business – Inventory Control and Logistics" and "– Description of Selected Line Items in Our Consolidated Balance Sheets – Trade Receivables".

- *Cash Flow and Capital Expenditure* – Given our direct sales model, expansion of our retail network requires substantial capital resources. In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, our capital expenditures amounted to RMB181.5 million, RMB436.8 million, RMB684.3 million, RMB 256.9 million and RMB127.9 million, respectively, and our net cash used in investing activities amounted to RMB129.4 million, RMB370.0 million, RMB489.5 million, RMB192.3 million and RMB233.4 million, respectively. These expenditures primarily related to opening and decorating our new retail points.

As at 30 June 2014, we had 5,671 retail points. We plan to increase the number of our retail points by approximately 1,200 in the six months ending 31 December 2014 and by approximately 1,500 in each of 2015 and 2016, which may be adjusted from time to time due to changes in our future financial conditions and market conditions. We intend to fund the capital expenditure required for expanding our retail network with our internal cash and a portion of the net proceeds of the Global Offering. As we continue to implement our retail network expansion strategy, we will need to secure additional locations, especially prime locations, to open new retail points, increase the number of our sales staff and purchase additional finished products to support our growing business. Leasing and decorating new retail points and recruiting additional employees will continue to increase our selling and marketing expenses (mainly concessionaire fees, rental expenses and employee benefit expenses), affecting our profitability, and will consume significant capital resources. Increasing inventories may increase constraints on our liquidity and working capital, particularly before our new retail points break even or achieve profitability. Insufficient cash flow from our operating activities may require us to secure additional bank loans or other sources of capital.

Management of Existing Retail Points

In addition to the expansion of our retail network, our business performance depends on our ability to manage existing retail points and increase their sales. We measure this performance by evaluating the Same Store Sales between relevant financial years or financial periods, which is a metric commonly used in the retail industry. During the Track Record Period, we invested substantial resources in enhancing our brand awareness, creating marketing strategies to cater to different customers and conducting training for our sales staff. We adjusted our sales incentive scheme to improve the performance of our existing retail points. As a result, our Same Store Sales increased by 41.6% in FY2012 in comparison with FY2011.

Our Same Store Sales increased by 6.6% in FY2013 in comparison with FY2012. In 1HFY2014, our Same Store Sales decreased by 3.4% compared to our Same Store Sales in 1HFY2013. A slowdown in the PRC economy has had a negative impact on domestic consumption in the PRC, which has in turn had an adverse impact on our Same Store Sales in recent periods. In addition, relatively warm winter months at the end of 2013 adversely impacted sales of our winter outfits, which typically have higher average selling prices than our spring and summer outfits, towards the end of FY2013 and at the beginning of 1HFY2014. Please refer to "– Explanation of Same Store Sales".

Concessionaire Fees and Rental Expenses

We pay concessionaire fees to department stores for the right to occupy and use concessionaire counters pursuant to concessionaire agreements. A concessionaire fee with respect to a concessionaire counter is typically calculated as a percentage of our monthly sales made at the concessionaire counter and is deducted by the department store before it transfers the payments from sales of our products to us.

We pay rents to shopping malls and individual landlords for retail space at our standalone retail outlets pursuant to lease agreements. Depending on the policies of shopping malls and our negotiation with the lessors, terms related to the calculation and payment of rents may vary with respect to different outlets. The amount of our rents for a standalone retail outlet can be fixed or variable based on a percentage of the sales revenue at that outlet. Under a few lease agreements, the amount of our rent for an outlet is the higher of an agreed monthly amount or a percentage of the monthly sales at that outlet. Depending on our arrangements with lessors, payments from our sales at the relevant outlets are either directly collected by the lessors or by ourselves, and our rents are either directly deducted by the lessors before they transfer the payments from sales to us, or paid separately by us.

As we continue to expand our retail network, we expect that our concessionaire fees and rental expenses will continue to increase. However, we believe that potential growth in our sales as well as our established relationships with a number of department stores and shopping malls may increase our bargaining power when we negotiate the levels of concessionaire fees and rents. In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, our concessionaire fees and rental and store maintenance expenses collectively amounted to 33.1%, 32.5%, 27.9%, 26.9% and 26.9%, respectively, of our revenue for the corresponding years and periods.

Outsourced Production

We outsource all of our production to third party manufacturers. Under substantially all of our existing outsourced production arrangements, manufacturers are responsible for procuring the raw materials (mainly cotton, down, fabric, natural fibre and chemical fibre) and ancillary materials used for producing our products and we purchase the finished goods from the manufacturers. The purchase costs of finished goods that were payable to third party manufacturers constituted most of our cost of sales during the Track Record Period, with cost of inventories accounting for 95.5%, 94.3%, 92.9%, 91.6% and 91.3% of our cost of sales for FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, respectively.

The prices charged to us by third party manufacturers are affected by a number of factors, such as increases in the costs of raw materials and labour costs paid by them. The detailed terms for each order of products, such as quantity and price, are normally determined when we place an order pursuant to a binding master agreement we enter into with the relevant manufacturer. Any significant fluctuations in raw material costs and labour costs of the manufacturers could affect the purchase cost of goods payable by us and our cost of sales and, consequently, our results of operations, if we are not able to pass on any increases in the costs to our customers. In addition, we had significant trade and bill payables due to our manufacturers during the Track Record Period, primarily resulting from our procurement of products. Any material change of the credit periods for our payables could materially affect our cash flow and financial condition. Please refer to "Risk Factors – Risks Related to Our Business and the Clothing Industry – We rely on third parties for production of our products and their non-performance or poor performance could affect our operations and financial results".

Labour Costs

Our operating expenses increased during the Track Record Period, partly attributable to a significant increase in our employee benefit expenses. Employee benefit expenses are affected mainly by the level of salaries and the number of our employees in each financial year. Performance bonuses payable to our sales staff may also affect our overall employee benefit expenses, as they increase as our sales increase. In recent years, the levels of minimum salaries and wages in many cities in the PRC have increased in response to increasing awareness of labour protection and related legislation. For the same reason, we increased the base salaries of our employees as well as the performance bonuses for our sales employees during the Track Record Period. In addition, we increased the number of our employees, particularly our sales staff, to support the growth of our business. We expect that we will continue to recruit more employees to support our expansion and business development. Increasing employee numbers and salary levels will continue to lead to increases in labour costs and have a material effect on our results of operations.

Sources of Funding

The expansion of our distribution network has required substantial capital resources due to our direct sales model. In addition to the cash flow from sales of products we diversified our sources of funding to satisfy our cash needs for implementing our expansion strategy during the Track Record Period. In December 2010 and May 2013, we received equity contributions from Good Factor and Beijing Goldman Sachs, respectively, who held a 23.75% and 5.00%, respectively, equity interest in our Company as at the Latest Practicable Date. Please refer to "Investments in Our Company". In addition, we incurred bank borrowings and as at 31 December 2011, 2012 and 2013 and 30 June 2014, our outstanding bank borrowings totalled RMB106.0 million, RMB425.0 million, RMB780.0 million and RMB1,017.6 million, respectively. Accordingly, interest expenses on our bank borrowings increased during the Track Record Period. Given our expansion plans, we expect to incur additional borrowings and our interest expenses may increase as a result.

Competition

The clothing industry in the PRC is highly competitive. In recent years, domestic brands have experienced rapid development and have become more competitive with international brands in terms of standardising store layout and improving customers' experience. According to the Euromonitor Report, the combined retail sales of the top 10 brands in the PRC, comprising seven international brands and three domestic brands in the mass-market ladies' casualwear market, accounted for 44.3% of the total mass-market ladies' casualwear market retail sales in the PRC in 2013. We ranked third (in terms of market share based on retail sales) in the mass-market ladies' casualwear segment in the PRC in 2013, according to the Euromonitor Report. Increasing competition could potentially affect our product design and pricing and marketing strategies. In addition, the rapid development of online shopping has significantly changed the shopping patterns of consumers in recent years and increased competition in our industry.

Seasonality

Our financial condition and results of operations are subject to seasonal fluctuations due to various factors. We typically carry out more sales and marketing activities in the second half of the year to capture additional sales opportunities presented by various holidays at that time of the year such as the PRC's National Day, Christmas and New Year. We believe that these holidays encourage consumer spending. For the same reason, we typically have higher levels of inventories to satisfy our increased sales at the end of a year and around those holidays than at other times in the year. In addition, our autumn and winter outfits typically have higher average selling prices than our spring and summer outfits as the materials for producing our autumn and winter outfits are comparatively more costly.

Our business is also vulnerable to unexpected climate change. For example, our sales of winter outfits may decrease if there is an exceptionally warm winter. Our inventory significantly increased as at 31 December 2013 compared to 31 December 2012, in part due to relatively warm winter months at the end of 2013, which adversely impacted sales of our winter outfits towards the end of FY2013. As a result, our results of operations for any interim period may not be an accurate indicator of our performance for another interim period or for the entire financial year.

Pricing Strategy

We consider several factors in determining the selling prices of our products, such as procurement costs and profit margin. Any material change in our pricing strategy may have a material impact on our results of operations in the future. In line with industry practice, we offer sales discounts on prices of our products. We offer sales discounts for different purposes, such as promoting sales, enhancing brand awareness, increasing cash flow and managing inventory levels. The amount and timing of any discounts depend on, among others, levels of our cash and inventory, market responses to our products and the competitive landscape. During the Track Record Period, we strategically set the level of sales discounts to manage the impact of fluctuations in the purchase costs charged by third party manufacturers.

Economic Conditions and Per Capita Disposable Income in the PRC

We conduct all of our operations in the PRC. Economic conditions in the PRC, and in particular the level of per capita disposable income of urban households, therefore have a direct impact on the level of demand for our products. The PRC has experienced rapid economic growth over the past two decades and rising levels of per capita disposable income and living standards, which significantly increased spending on fashionable and trendy apparel by Chinese consumers.

According to the information obtained from National Bureau of Statistics by Euromonitor, per capita annual disposable income of urban households and total retail value of consumer goods in the PRC increased at CAGRs of 11.9% and 15.7%, respectively, from 2009 to 2013. Driven by growth in per capita annual disposable income of urban households, per capita clothing spending in the PRC increased at the CAGR of 16.2% from 2009 to 2013, according to the Euromonitor Report. We expect that our results of operations will continue to be affected by changes in the growth of the PRC economy and per capita disposable income, as well as consumer spending, particularly in urban areas.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial information in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. The methods, estimates and judgements we use in applying our accounting policies may have a significant impact on our results of operations. Some of the accounting policies require us to make subjective judgements, often as a result of the need to make estimates of matters that are inherently uncertain. Below is a summary of the accounting policies in accordance with IFRS that we believe are important to the presentation of our financial results and involve the need to make estimates and judgements about the effect of matters that are inherently uncertain. We also have other policies that we consider to be key accounting policies. For details, please refer to Notes 2 and 4 in Appendix I – "Accountant's Report".

Useful lives, residual values and depreciation charges of property, plant and equipment and useful lives and amortisation of intangible assets

We determine the estimated useful lives, residual values and related depreciation or amortisation charges for our property, plant and equipment and intangible assets with reference to the estimated periods that we intend to derive future economic benefits from the use of these assets. Our management will revise the depreciation and amortisation charges where useful lives are different to those previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives, and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and, therefore, depreciation/amortisation expense in future periods. During the Track Record Period, there was no significant difference between the actual economic lives and our management's estimates that required revisions of relevant depreciation and amortisation charges.

During the Track Record Period, the carrying amounts related to decorating our retail points and licensing of our computer information systems were subject to deprecation and amortisation on a straight-line basis. Depreciation with respect to our concessionaire counters is calculated based on an estimated useful life of two years. This assumption is made based on the facts that we normally conduct renovation of our concessionaire counters once every two years, that our concessionaire agreements typically have a duration of one to two years and that we are typically able to renew our concessionaire agreements upon expiry. Depreciation with respect to our standalone retail outlets is calculated based on an estimated useful life of the shorter of five years and the terms of the leases. This assumption is made based on the fact that a majority of our lease agreements have a duration of two to six years. Amortisation with respect to our computer information system is based on an estimated useful life of the term of the licensing. These assumptions were consistently applied in determining the amounts of depreciation and amortisation during the Track Record Period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, sub-contracting costs that have been incurred to bring the inventories to their present condition. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. We make provisions to write down our inventories to the net realisable value if the inventories become out-of-season and their net realisable value is lower than the costs of the inventories. The provisions for our inventories are calculated as certain estimated percentages of the procurement cost of the inventories based on our estimates, which increases as the inventories age.

The aging of our inventories of finished goods is measured by the number of sales periods that have lapsed since (and including) the first sales period in which the finished goods are offered at our retail points. Each spring, summer, autumn and winter season constitutes one sales period. We consider each spring collection and each autumn collection as having two sales periods in any single year. For instance, the sales periods applicable to a spring collection includes the spring sales period in which the spring collection is first offered at our retail points and the immediately following summer sales period. On the other hand, we consider each summer collection and each winter collection as having one sales period in any single year. The following table sets out the percentages applied during the Track Record Period in making provisions for our inventories:

	Seasonal Collections		
Number of Sales Periods Elapsed Since (and Including) the First Sales Period Offered	**Spring/Autumn**	**Summer**	**Winter**
One	0%	0%	0%
Two	0%	5%	5%
Three	5%	50%	25%
Four	15%	90%	90%
Five	50%	100%	100%
Six	90%	100%	100%
Seven	100%	100%	100%

These estimated percentages are based on the market conditions prevailing at the time the provisions are made and our management's historical experience of procuring and selling products of a similar nature. It could change significantly as a result of changes in customer tastes and competitors' actions. During the Track Record Period, these estimates were consistently applied in making provisions for our inventories and there was no material difference between our provisions and the actual outcome of the sales of inventories. In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, provisions for our inventories amounted to RMB8.4 million, RMB36.0 million, RMB92.1 million, RMB50.8 million and RMB59.5 million, respectively, largely attributable to an increase in our inventory level and aging of our inventories. Please refer to "– Description of Select Line Items in Our Consolidated Statements of Comprehensive Income – Cost of Inventories – Provisions for Inventories".

Impairment of non-financial assets

Non-financial assets, including property, plant and equipment, land use rights and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgement and estimates.

Management's judgement is required in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows, which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections, including whether these cash flow projections, are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and, as a result, affect our financial condition and results of operations. If there is a significant adverse change in the projected performance and the resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statements of comprehensive income. During the Track Record Period, we did not record any impairment charge in relation to non-financial assets.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for products supplied, stated net of discounts, returns and value added taxes. We recognise revenue when a product is sold and delivered to and accepted by our customers at our retail points. We base our estimates of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

For sales of our products through our concessionaire counters and standalone retail outlets, revenue is recognised when the risk and reward of the products have been transferred to an end customer, which is usually at the time when the products are delivered to the customer, the customer accepts the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. We estimate and make provisions for sales returns against revenue by deducting trade receivables on each record date of our balance sheets based on our past experience. The difference between our estimates and the actual outcome is recognised prospectively in the period in which the sales return occurs. During the Track Record Period and as at the Latest Practicable Date, we had not experienced any material difference between our estimates and the actual outcome.

Current and deferred income tax

We are subject to income taxes in different areas in the PRC. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. During the Track Record Period, we did not make any material change to our income tax provisions.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

Impairment of receivables

Our management determines the provision for impairment of long-term deposits and prepayments, trade receivables, deposits, prepayments and other receivables based on an assessment of the recoverability of these receivables. This assessment is based on the credit history of department stores and, in some cases, shopping malls, and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date.

During the Track Record Period, our trade receivables were mainly related to our sales through department stores and certain shopping malls which collect payments of our sales pursuant to our concessionaire agreements and lease agreements. We typically open our retail points within well-known department stores and shopping malls that are developed and operated by developers with a positive credit history and strong financial condition. Therefore, we consider the risk of default with respect to our trade receivables is remote and we do not make any provision for our overdue trade receivables. As at 31 December 2011, 2012 and 2013 and 30 June 2014, 78.4%, 90.4%, 87.6% and 82.0%, respectively, of our trade receivables had an age of 30 days or less.

EXPLANATION OF SAME STORE SALES

Our profitability is affected in part by sales performance at the existing retail points that we operate. We measure this performance by evaluating Same Store Sales, which is a metric commonly used in the retail industry.

We evaluate changes in Same Store Sales on a like-for-like basis by comparing the sales of our retail points using the comparable months of operation for those retail points in two consecutive financial periods (meaning only the months in which those retail points had sales in both periods). A retail point is included in the evaluation of Same Store Sales between two financial periods when it has had sales for more than 12 consecutive months as at the end of the second of the two financial periods.

The minimum operating history with respect to any retail point is considered based on the monthly sales records, instead of the daily sales records, of each retail point, and temporary suspension of a retail point's operations within any single month is permitted as long as the retail point has registered sales records in each month during the minimum operating history. Sales are calculated on the basis of the gross cash receipts of the relevant retail points. Our calculation of Same Store Sales information may be different from those adopted by other companies, and our Same Store Sales information may not be comparable to the same store sales information reported by other companies.

The following tables set out our Same Store Sales during the Track Record Period as well as the percentage change between periods:

	For the year ended 31 December		
	2011	2012	% change between FY2011 and FY2012
	RMB thousands	RMB thousands	
Same Store Sales[1]	1,513,676	2,143,897	41.6%

	For the year ended 31 December		
	2012	2013	% change between FY2012 and FY2013
	RMB thousands	RMB thousands	
Same Store Sales[2]	3,254,380	3,469,616	6.6%

	For the six months ended 30 June		
	2013	2014	% change between 1HFY2013 and 1HFY2014
	RMB thousands (unaudited)	RMB thousands	
Same Store Sales[3]	2,421,534	2,338,174	(3.4%)

Notes:

(1) Same Store Sales with respect to a comparison between FY2011 and FY2012 include the sales of the stores that had sales for more than 12 consecutive months as at the end of 2012.

(2) Same Store Sales with respect to a comparison between FY2012 and FY2013 include the sales of the stores that had sales for more than 12 consecutive months as at the end of 2013.

(3) Same Store Sales with respect to a comparison between 1HFY2013 and 1HFY2014 include the sales of the stores that had sales for more than 12 consecutive months as at the end of 30 June 2014.

Our Same Store Sales increased by 41.6% in FY2012 in comparison with FY2011, and by 6.6% in FY2013 in comparison with FY2012. In 1HFY2014, our Same Store Sales decreased by 3.4% compared to our Same Store Sales in 1HFY2013. A slowdown in the PRC economy has had a negative impact on domestic consumption in the PRC, which has in turn had an adverse impact on our Same Store Sales in recent periods. In addition, relatively warm winter months at the end of 2013 adversely impacted sales of our winter outfits, which typically have higher average selling prices than our spring and summer outfits, towards the end of FY2013 and at the beginning of 1HFY2014. Please refer to "Risk Factors – The growth of our revenue, profit and Same Store Sales decreased in FY2013 compared to previous years and, in recent periods, we had decreases in our Same Store Sales. We may experience further fluctuations or declines in the growth of our revenue, profit or Same Store Sales, or decreases in Same Store Sales, in future periods".

DESCRIPTION OF SELECTED LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We generate revenue from sales of our products to consumers through our concessionaire counters and our standalone retail outlets. Revenue represents the net value of goods sold, after deduction of value added taxes and discounts and after elimination of intra-group sales. Our revenue is mainly affected by the number of our retail points, the growth of Same Store Sales and the selling prices of our products.

Cost of Sales

Cost of sales consists primarily of cost of inventories, and also includes write-down of inventories to net realisable value and certain taxes and levies (such as business tax, city construction tax and education surcharges). The following table sets out a breakdown of our cost of sales for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands (unaudited)	RMB thousands
Cost of inventories	522,825	1,033,277	1,803,758	795,882	989,001
Write-down of inventories to net realisable value	8,417	35,984	92,059	50,777	59,482
Taxes and levies	16,006	25,916	45,893	22,483	34,293
Total	547,248	1,095,177	1,941,710	869,142	1,082,776

Cost of Inventories

Cost of inventories, which accounted for most of our cost of sales during the Track Record Period, primarily represents the purchase cost we pay to third party manufacturers for the outsourced production of our products. We outsource all of our production to third party manufacturers. Under most of our outsourced production arrangements, manufacturers are responsible for procuring the raw materials used for producing our products. In turn, we purchase the finished goods from the manufacturers for a price, which comprises mainly the manufacturers' profits, costs of the raw materials and labour costs of the manufacturers. Cost of inventories also comprised the cost of raw materials we paid to suppliers when we were responsible for the raw materials procurement under a small number of our outsourced production arrangements. During the Track Record Period, we increasingly outsourced raw materials procurement to the manufacturers to decrease our raw materials inventories and to focus on managing our inventories of finished goods.

After we accept the products delivered from manufacturers, the purchase cost of the products is booked under inventories, until the products are sold to our end customers, at which time the purchase cost is reflected as cost of inventories under cost of sales in our consolidated statements of comprehensive income.

Cost of inventories depends on the number of products we purchase from manufacturers, as well as the price charged by manufacturers, which is in turn largely affected by the raw materials costs and labour costs of the manufacturers. Please refer to "– Factors Affecting Financial Condition and Results of Operations – Outsourced Production".

Provisions for Inventories

Our inventories primarily consist of finished goods produced by third party manufacturers. We make provisions to write down our inventories to the net realisable value if the inventories become out-of-season and their net realisable value is lower than the costs of the inventories. According to our accounting policies:

- provisions for our inventories are calculated as certain estimated percentages of the initial cost of the inventories, which range from 5% to 100%;
- these estimated percentages are based on the market conditions prevailing at the time the provisions are made and our management's historical experience of procuring and selling products of a similar nature;

- the aging of our inventories of finished goods is measured by the number of sales periods that have lapsed since (and including) the first sales period in which the finished goods are offered at our retail points;
- each spring, summer, autumn and winter season constitutes one sales period; and
- we consider each spring collection and each autumn collection as having two sales periods in any single year. For instance, the sales periods applicable to a spring collection includes the spring sales period in which the spring collection is first offered at our retail points and the immediately following summer sales period. On the other hand, we consider each summer collection and each winter collection as having one sales period in any single year.

Please see "– Critical Accounting Estimates and Judgements – Inventories" for further detail.

In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, provisions for our inventories amounted to RMB8.4 million, RMB36.0 million, RMB92.1 million, RMB50.8 million and RMB59.5 million, respectively. As the provisions for our inventories are calculated as estimated percentages of the initial cost of the inventories and our inventories primarily consist of finished goods produced by third party manufacturers, the significant increase in our provisions for inventories from FY2011 to FY2013 was largely attributable to the general increase in the level of our inventories of finished goods.

Inventories of finished goods increased from RMB385.8 million as at 31 December 2011 to RMB1,282.3 million as at 31 December 2013, representing an increase of approximately 232.4% during the period. The general increase in the level of our inventories of finished goods was primarily a result of: (i) the nature of our business and our direct sales model (which require us to maintain a relatively high level of inventories of finished goods in order to ensure that we have sufficient stocks of products in different designs, colours and sizes for display and to satisfy demand from customers); (ii) the expansion of our business scale and retail network; (iii) the launch of several new brands; and (iv) relatively warm winter months at the end of 2013, which adversely impacted sales of our winter outfits towards the end of FY2013. Please refer to "– Description of Selected Line Items In Our Consolidated Balance Sheet – Inventories" for further details.

In addition, we typically need two or more related sales periods to sell the majority of each seasonal collection's finished goods, especially those of our newer brands or in our newer retail points that remain at the initial stages of development. While the nature of our business and our direct sales model require us to maintain a relatively high level of inventories of finished goods at each of our retail points, our newer retail points generally have relatively less market recognition and customer loyalty and typically have to go through an initial development period before achieving the expected levels of sales performance. The aging of our inventories of finished goods therefore also contributed to the general increase in our provisions for inventories during the Track Record Period and was a primary reason such provisions increased at a higher rate than our inventories of finished goods during the Track Record Period.

Gross Profit and Gross Profit Margin

Our gross profit margins were relatively consistent across different types of retail points and remained stable during the Track Record Period, because most expenses that may vary based on different types of retail points are recorded in selling and marketing expenses and have little impact on our gross profit margins. The following table sets out our gross profit margins by type of retail points during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
				(unaudited)	
Concessionaire counters	70.7%	71.4%	69.9%	68.6%	70.7%
Standalone retail outlets	70.7%	73.0%	65.6%	70.0%	65.4%

The following table sets out our gross profit margins by brand during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
				(unaudited)	
La Chapelle	72.6%	72.5%	71.0%	69.2%	70.5%
La Chapelle Sport	68.7%	70.7%	69.4%	67.9%	69.7%
Candie's	64.6%	70.3%	66.2%	69.1%	69.0%
La Chapelle Homme/Pote(1)	71.7%	72.0%	62.6%	67.5%	62.4%
7.Modifier(2)	N.A.	73.7%	63.2%	71.4%	66.5%
La Babité(2)	N.A.	73.9%	66.9%	71.7%	69.1%
La Chapelle Kids(3)	N.A.	N.A.	64.9%	N.A.	60.6%
La Lumdi(4)	0.0%	N.A.	N.A.	N.A.	N.A.
Total	**70.6%**	**71.7%**	**68.8%**	**69.0%**	**69.2%**

Notes:

(1) Revenue from sales of La Chapelle Homme in FY2013 included sales of Pote. Please refer to "Business – Our Brands".

(2) We launched 7.Modifier and La Babité in 2012.

(3) We launched La Chapelle Kids in 2013.

(4) We discontinued La Lumdi in 2010.

The gross profit margins of our brands generally declined in FY2013 compared to FY2012. This was mainly attributable to our adjustment of the pricing of our products to respond to the adverse change in market conditions in the PRC retail industry. In 2013, there was a slowdown in the PRC economy, which had a negative impact on domestic consumption in the PRC. While the market conditions in the PRC retail industry remained challenging in 1HFY2014, our overall gross profit margin was in line with that of 1HFY2013, increasing slightly from 69.0% for 1HFY2013 to 69.2% for 1HFY2014.

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of sales staff salaries and welfare benefits, concession and rental expenses relating to retail points, advertising and promotional expenses, transportation expenses and other expenses relating to selling and marketing activities.

The following table sets out a breakdown of our selling and marketing expenses for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands (unaudited)	RMB thousands
Employee benefit expenses	268,619	645,641	1,139,147	523,071	691,955
Concessionaire fees	481,521	958,755	1,189,856	505,231	641,128
Rental and store maintenance expenses	132,354	297,484	542,604	246,539	300,575
Depreciation	56,220	135,792	294,814	135,977	160,131
Utilities and electricity	33,931	89,910	138,081	74,891	78,208
Marketing and promotion expenses	24,453	39,252	52,335	28,306	32,423
Logistics expenses	18,529	29,074	40,795	17,613	16,433
Others(1)	37,590	69,424	97,799	35,272	42,909
Total	1,053,217	2,265,332	3,495,431	1,566,900	1,963,762

Note:

(1) Others mainly include expenses relating to consumables for in-store decorating and furnishing, bank charges relating to the use of POS machines and other miscellaneous expenses relating to marketing activities.

Employee benefit expenses represent salaries, staff welfare and benefits and pensions for our sales staff. The salaries of our sales staff consist of base salaries, which are typically reviewed and may be adjusted once every year, and performance bonuses, which are linked to sales made by the relevant employees. As such, our employee benefit expenses are largely affected by the base salaries of our sales staff and our overall sales performance in addition to the number of our sales staff.

Concessionaire fees represent the fees we pay to department stores for our rights to occupy and operate concessionaire counters in those department stores. A concessionaire fee related to a concessionaire counter is typically a commission based on a percentage of our monthly sales made at the counter (in addition to other miscellaneous fees and expenses), which is provided in our concessionaire agreement with the department store. The concessionaire fee is deducted before the department store transfers to us the cash from sales through relevant concessionaire counters.

Rental and store maintenance expenses primarily represent the rents we pay to third-party lessors for retail spaces to operate our standalone retail outlets. Depending on the policies of shopping malls and our negotiation with individual third-party lessors, terms related to the calculation and payment of rents may vary with respect to different outlets. The amount of our rent for a standalone retail outlet can be fixed or variable based on a percentage of the sales at that outlet. Under a few lease agreements, the amount of our rent for an outlet is the higher of an agreed monthly amount or a percentage of the sales at that outlet. Depending on our arrangements with lessors, rents are either directly deducted from the payments collected by the lessors from our sales at the relevant outlets or paid separately by us. Please refer to "Business – Our Extensive Nationwide Retail Network – Standalone Retail Outlets – Lease Agreements".

Depreciation primarily represents the amounts of capitalised expenses relating to decorating of our retail points, whose underlying capital expenditures primarily comprise contractor fees and costs of decorating materials, furniture and fixtures, and are depreciated on a straight-line basis. Depreciation is mainly affected by the expansion of our retail network.

Utilities and electricity expenses represent our expenses for electricity and other utilities used in our retail points, so the amount of such expenses is primarily affected by the number of our retail points.

Administrative Expenses

Administrative expenses consist primarily of administrative employee benefit expenses, rental expenses for offices, bank processing charges, amortisation of the licensing of our computer information system, office utilities expenses and traveling expenses.

The following table sets out a breakdown of our administrative expenses for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB thousands	**RMB thousands**	**RMB thousands**	**RMB thousands (unaudited)**	**RMB thousands**
Employee benefit expenses	65,757	117,608	145,211	82,211	88,053
Rental expenses	2,622	3,563	6,015	2,010	3,066
Traveling and communication expenses	5,811	6,831	11,403	5,110	4,596
Utilities and electricity	4,938	5,103	7,016	3,395	3,054
Professional expenses	3,017	3,984	15,575	10,832	13,690
Amortisation of intangible assets	268	3,058	7,326	3,132	5,034
Bank processing charges	1,658	5,618	10,686	4,882	5,969
Depreciation	1,607	3,990	5,944	2,695	4,627
Others[1]	8,910	10,056	20,877	5,944	8,639
Total	94,588	159,811	230,053	120,211	136,728

Note:

(1) Others mainly include the cost of product samples provided to manufacturers and other miscellaneous expenses relating to administration.

Employee benefit expenses represent salaries, staff welfare and benefits, pension and bonuses and allowances for our Directors, Supervisors, senior management and other administrative employees (including retail points' sales managers). Our employee benefit expenses are mainly affected by the number and the base salaries of our administrative employees. Our administrative staff's salaries comprise base salaries and discretionary and merit-based bonuses. Directors' and senior management's bonuses, allowances and share-based payments also affect our employee benefit expenses.

Rental expenses represent the rental expenses relating to the lease of our offices.

Amortisation of intangible assets represents the capitalised expenses relating to the licensing for our computer information system, mainly the SAP ERP system.

Depreciation primarily represents the amounts of capitalised expenses relating to office electronic equipment and automobiles.

Professional expenses comprise the fees and other expenses we incurred for third-party professional consulting services.

Other Gains – Net

Other gains – net consist primarily of incentives issued by the local governments in some cities where we operate, and gains or losses on disposal of certain fixed assets.

The following table sets out a breakdown of our other gains – net for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB thousands	**RMB thousands**	**RMB thousands**	**RMB thousands (unaudited)**	**RMB thousands**
Gain/(loss) on disposal of property, plant and equipment – net	438	(129)	64	(13)	(848)
Government incentives	684	13,270	27,295	–	6,111
Others	49	(462)	4,278	883	43
Total	1,171	12,679	31,637	870	5,306

Government incentives represent the subsidies we receive from the local governments of Xuhui District, Shanghai where we have operations. We received a non-recurring subsidy from the Xuhui government to support initiatives for enhancing design and brand management capabilities. The subsidies are paid by instalment subject to our satisfaction of the conditions of payment. The portion of the qualified subsidies is recognised in our consolidated statements of comprehensive income and the remaining balance is recorded as deferred income. The other subsidies have been granted in recognition of our investment in Xuhui District, the amount of which is typically determined by the local government based on a number of considerations, such as our business growth and tax contributions in the previous financial year.

Finance Income

Finance income mainly consists of interest income on bank deposits.

Finance Costs

Finance costs mainly consist of interest expenses on our bank borrowings.

Income Tax Expense

Income tax expense primarily represents our tax expenses under the Enterprise Income Tax. The amount of Enterprise Income Tax payable is determined by our operating profit and applicable Enterprise Income Tax rate. During the Track Record Period, we did not experience any material change in the applicable Enterprise Income Tax rate. Our Company and our subsidiaries were subject to a statutory Enterprise Income Tax rate of 25% in each of the years in the Track Record Period. The increase in our Enterprise Income Tax during the Track Record Period was largely driven by our increasing operating profit.

In FY2011, FY2012, FY2013 and 1HFY2014, the effective tax rates of our Group were 27.0%, 26.1%, 25.3% and 25.2%, respectively. Our Group's effective tax rates were higher than the 25.0% statutory tax rate and this was mainly attributable to the share-based compensation expenses which did not qualify for deduction for the purpose of the Enterprise Income Tax. In FY2011, FY2012, FY2013 and 1HFY2014, share-based compensation expenses amounted to RMB8.2 million, RMB10.1 million, RMB6.6 million and RMB3.0 million, respectively.

RESULTS OF OPERATIONS

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands (unaudited)	RMB thousands
Revenue	1,864,167	3,872,118	6,225,087	2,799,929	3,510,764
Cost of sales	(547,248)	(1,095,177)	(1,941,710)	(869,142)	(1,082,776)
Gross profit	**1,316,919**	**2,776,941**	**4,283,377**	**1,930,787**	**2,427,988**
Selling and marketing expenses	(1,053,217)	(2,265,332)	(3,495,431)	(1,566,900)	(1,963,762)
Administrative expenses	(94,588)	(159,811)	(230,053)	(120,211)	(136,728)
Other gains – net	1,171	12,679	31,637	870	5,306
Operating profit	**170,285**	**364,477**	**589,530**	**244,546**	**332,804**
Finance income	459	347	1,937	459	2,650
Finance costs	(2,294)	(13,575)	(38,075)	(17,909)	(26,962)
Finance costs – net	(1,835)	(13,228)	(36,138)	(17,450)	(24,312)
Profit before income tax	**168,450**	**351,249**	**553,392**	**227,096**	**308,492**
Income tax expense	(45,483)	(91,694)	(140,019)	(58,047)	(77,887)
Profit for the year/period	**122,967**	**259,555**	**413,373**	**169,049**	**230,605**
Profit attributable to:					
Equity owners of our Company	127,243	259,905	407,298	169,049	226,335
Non-controlling interests	(4,276)	(350)	6,075	–	4,270
Profit for the year/period	**122,967**	**259,555**	**413,373**	**169,049**	**230,605**

DISCUSSION OF RESULTS OF OPERATIONS

Comparison of the six months ended 30 June 2014 with the six months ended 30 June 2013

Revenue

Our revenue increased by 25.4% from RMB2,799.9 million for 1HFY2013 to RMB3,510.8 million for 1HFY2014. The increase was primarily attributable to the expansion of our retail network. The number of our retail points increased from 4,180 as at 30 June 2013 to 5,671 as at 30 June 2014.

In 1HFY2014, our Same Store Sales decreased by 3.4% compared to our Same Store Sales in 1HFY2013. The decrease in our Same Store Sales was primarily attributable to the continued slow down in the PRC economy, as well as the impact of the relatively warm winter months at the end of 2013 upon the sales of our winter outfits at the beginning of 1HFY2014. Please refer to "– Explanation of Same Store Sales".

Revenue by distribution channel

The following table sets out a breakdown of our revenue by sales made through different distribution channels for the periods indicated:

	Six months ended 30 June				% change between 1HFY2013 and 1HFY2014
	2013		2014		
	RMB thousands (unaudited)	% of total	RMB thousands	% of total	
Concessionaire counters	2,091,094	74.7	2,499,645	71.2	19.5
Standalone retail outlets	708,835	25.3	1,011,119	28.8	42.6
Total	2,799,929	100.0	3,510,764	100.0	25.4

Revenue from concessionaire counters constituted a majority of our revenue in 1HFY2013 and in 1HFY2014, but as a percentage of our total revenue, it decreased in 1HFY2014 compared to 1HFY2013. This decrease was primarily attributable to the significant growth in revenue from our standalone retail outlets, which was mainly due to our focus on opening a larger proportion of our new retail points as standalone retail outlets.

Of the RMB710.8 million increase in our total revenue from retail outlets in 1HFY2014, RMB121.8 million, or 17.1%, was attributable to sales at our new retail points opened in 1HFY2014. The following table sets out a breakdown of our revenue by age of retail points for the years indicated:

	Six months ended 30 June				
	2013		2014		% change between 1HFY2013 and 1HFY2014
	RMB thousands (unaudited)	% of total	RMB thousands	% of total	
Existing retail points[1]	2,472,457	88.3	3,388,981	96.5	37.1
New retail points[2]	327,472	11.7	121,783	3.5	(62.8)
Total	2,799,929	100.0	3,510,764	100.0	25.4

Notes:

(1) Existing retail points, with respect to a financial period, comprise the retail points that commenced sales prior to January in such financial period.

(2) New retail points, with respect to a financial period, comprise the retail points that commenced sales in or after January in such financial period.

Revenue by brand

The following table sets out a breakdown of our revenue by brand for the periods indicated:

	Six months ended 30 June				
	2013		2014		% change between 1HFY2013 and 1HFY2014
	RMB thousands (unaudited)	% of total	RMB thousands	% of total	
La Chapelle	1,212,377	43.3	1,320,247	37.6	8.9
La Chapelle Sport	969,930	34.6	1,050,680	29.9	8.3
Candie's	198,720	7.1	290,481	8.3	46.2
La Chapelle Homme/Pote	70,760	2.5	137,003	3.9	93.6
7.Modifier	265,156	9.5	473,754	13.5	78.7
La Babité	82,986	3.0	228,614	6.5	175.5
La Chapelle Kids[1]	–	–	9,985	0.3	–
Total	2,799,929	100.0	3,510,764	100.0	25.4

Note:

(1) We launched La Chapelle Kids in 2013.

Revenue in 1HFY2014 increased across all of our brands compared to 1HFY2013 mainly due to the opening of new retail points and growth in the sales from our retail points that commenced sales prior to January in the respective period. During 1HFY2013 and 1HFY2014, a majority of our revenue was derived from sales under the La Chapelle and La Chapelle Sport brands. However, revenue from our newer brands displayed faster growth than that from La Chapelle and La Chapelle Sport in 1HFY2014 mainly due to our efforts to enhance market awareness of our newer brands after they were launched in early 2012. The opening of retail points under our newer brands in 1HFY2014 also contributed to the revenue growth of these brands.

Revenue by tier of cities

The following table sets out a breakdown of our revenue by tier of cities for the periods indicated:

	Six months ended 30 June				% change between 1HFY2013 and 1HFY2014
	2013		2014		
	RMB thousands (unaudited)	% of total	RMB thousands	% of total	
Tier I Cities	389,905	13.9	459,362	13.1	17.8
Tier II Cities	1,199,234	42.8	1,439,235	41.0	20.0
Tier III Cities	644,263	23.0	846,538	24.1	31.4
Other Cities	566,527	20.3	765,629	21.8	35.1
Total	2,799,929	100.0	3,510,764	100.0	25.4

Our revenue increased across all the tiers of cities in 1HFY2014 primarily attributable to the nationwide expansion of our retail network. In 1HFY2014, revenue from Tier I Cities, which constituted 13.1% of our total revenue in 1HFY2014, increased by 17.8% compared to 1HFY2013. Revenue from other cities demonstrated faster growth compared to Tier I Cities, largely because we expanded our business into Tier II Cities and Tier III Cities where we believe there is larger growth potential and less intense competition compared to Tier I Cities.

Revenue by product type

The following table sets out a breakdown of our revenue by category of our products for the periods indicated:

	Six months ended 30 June				% change between 1HFY2013 and 1HFY2014
	2013		2014		
	RMB thousands (unaudited)	% of total	RMB thousands	% of total	
Tops	1,477,961	52.8	1,963,346	55.9	32.8
Bottoms	251,015	8.9	361,580	10.3	44.0
Dresses	1,057,668	37.8	1,176,310	33.5	11.2
Accessories	13,285	0.5	9,528	0.3	(28.3)
Total	2,799,929	100.0	3,510,764	100.0	25.4

Cost of sales

Our cost of sales increased by 24.6% from RMB869.1 million in 1HFY2013 to RMB1,082.8 million in 1HFY2014. The increase was primarily attributable to an increase in our procurement of finished goods from third party manufacturers to support our increased sales resulting from the expansion of our retail network. Our cost of inventories increased to RMB989.0 million in 1HFY2014 from RMB795.9 million in 1HFY2013. The increase in our cost of sales was also due to provisions for inventories of RMB59.5 million in 1HFY2014 compared to RMB50.8 million in 1HFY2013. The increase in provisions for inventories was mainly a result of our increased inventories attributable to our increased sales as well as the aging of our inventories. Please refer to "– Critical Accounting Estimates and Judgements – Inventories" and "Business – Inventory Control and Logistics – Inventory Control".

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 25.8% from RMB1,930.8 million in 1HFY2013 to RMB2,428.0 million in 1HFY2014. Our gross profit margin in 1HFY2014 was 69.2% compared to 69.0% in 1HFY2013.

Selling and marketing expenses

Our selling and marketing expenses increased by 25.3% from RMB1,566.9 million in 1HFY2013 to RMB1,963.8 million in 1HFY2014. This increase was primarily attributable to the expansion of our retail network and an increase in base salaries of our sales employees, resulting in an increase in concessionaire fees and rental expenses as well as an increase in our sales staff expenses. In 1HFY2014, we incurred concessionaire fees, rental and store maintenance expenses and employee benefit expenses related to sales staff amounting to RMB641.1 million, RMB300.6 million and RMB692.0 million, respectively, compared to RMB505.2 million, RMB246.6 million and RMB523.1 million, respectively, in 1HFY2013. The increase in our concessionaire fees was primarily due to our increased sales from concessionaire counters and higher concessionaire fees charged for special promotions that took place in 1HFY2014. The increase in rental and store maintenance expenses was primarily attributable to the opening of standalone retail outlets. The increased employee benefit expenses were primarily due to an increase in base salaries. Depreciation related to the decorating expenses of our retail points also contributed to the increase in selling and marketing expenses. In 1HFY2014, RMB160.1 million of depreciation was charged to selling and marketing expense compared to RMB136.0 million in 1HFY2013.

Our selling and marketing expenses as a percentage of our total revenue decreased slightly from 56.0% in 1HFY2013 to 55.9% in 1HFY2014, primarily due to increased revenue from our standalone retail outlets in comparison with the revenue from our concessionaire counters, thus slowing the growth in our concessionaire fees in 1HFY2014.

Administrative expenses

Our administrative expenses increased by 13.7% from RMB120.2 million in 1HFY2013 to RMB136.7 million in 1HFY2014. The increase was primarily attributable to an increase in the cost of administrative staff and an increase in professional consulting fees. Administrative employee benefit expenses increased from RMB82.2 million in 1HFY2013 to RMB88.1 million in 1HFY2014 as a result of an overall 17% increase in employee base salaries in 1HFY2014. The increase in professional consulting fees from RMB10.8 million in 1HFY2013 to RMB13.7 million in 1HFY2014 was mainly attributable to us engaging a professional consultant over our strategy.

Other gains – net

Other gains – net increased from RMB0.9 million in 1HFY2013 to RMB5.3 million in 1HFY2014. The increase in other gains – net was mainly attributable to the financial subsidies we received from the local Financial Bureau and also conditional government incentives we received from local governments as support for our expenses in relation to certain brands.

Finance costs – net

Our finance costs – net increased from RMB17.5 million in 1HFY2013 to RMB24.3 million in 1HFY2014. This increase was primarily attributable to an increase of bank loans to finance the opening of retail outlets and the construction of our logistics centre in Taicang. Interest expenses increased from RMB17.9 million in 1HFY2013 to RMB27.0 million in 1HFY2014, primarily due to the higher interest rate charged for the long-term borrowings obtained to finance the construction of Taicang logistics centre.

Profit before income tax

Our profit before income tax increased by 35.8% from RMB227.1 million in 1HFY2013 to RMB308.5 million in 1HFY2014. This increase was primarily attributable to our increased revenue and closure of unprofitable retail outlets (usually with higher rental expenses) and a slower increase in our administrative expenses in 1HFY2014.

Income tax expense

Our income tax expense increased by 34.2% from RMB58.0 million in 1HFY2013 to RMB77.9 million in 1HFY2014 primarily attributable to an increase in our profit before income tax in 1HFY2014.

Profit for the period and profit margin

As a result of the foregoing, our profit for the period increased by 36.4% from RMB169.0 million in 1HFY2013 to RMB230.6 million in 1HFY2014. Our profit margin increased from 6.0% in 1HFY2013 to 6.6% in 1HFY2014.

Comparison of the year ended 31 December 2013 with the year ended 31 December 2012

Revenue

Our revenue increased by 60.8% from RMB3,872.1 million in FY2012 to RMB6,225.1 million in FY2013. The increase was primarily attributable to expansion of our retail network and growth in our Same Store Sales in FY2013. The number of our retail points increased from 3,340 as at 31 December 2012 to 5,384 as at 31 December 2013.

Our Same Store Sales increased by approximately 6.6% in FY2013 in comparison with FY2012, reflecting a significant decrease from Same Store Sales growth in FY2012. Despite an overall increase in our Same Store Sales in FY2013, our Same Store Sales were adversely impacted in FY2013, and in particular in the second half of the year, primarily by a slowdown in the PRC economy which we believe had a negative impact on domestic consumption in the PRC. In addition, relatively warm winter months at the end of 2013 adversely impacted sales of our winter outfits, which typically have higher average selling prices than our spring and summer outfits, towards the end of FY2013. See "Risk Factors – Risks Related to Our Business and the Clothing Industry – The growth rates of our revenue, profit and Same Store Sales decreased in FY2013 compared to previous years and, in recent periods, we had decreases in our Same Store Sales. We may experience further fluctuations or declines in the growth of our revenue, profit or Same Store Sales, or decreases in Same Store Sales, in future periods".

Revenue by distribution channel

The following table sets out a breakdown of our revenue by sales made through different distribution channels for the periods indicated:

	Year ended 31 December				% change between FY2012 and FY2013
	2012		2013		
	RMB thousands	% of total	RMB thousands	% of total	
Retail					
Concessionaire counters	3,082,771	79.6	4,602,621	73.9	49.3
Standalone retail outlets	788,639	20.4	1,622,466	26.1	105.7
	3,871,410	100.0	6,225,087	100.0	60.8
Wholesale distributors	708	0.0	–	–	–
Total	3,872,118	100.0	6,225,087	100.0	60.8

Revenue from concessionaire counters constituted a majority of our revenue in FY2012 and FY2013, but as a percentage of our total revenue, it decreased in FY2013 compared to FY2012. This decrease was primarily attributable to the significant growth in revenue from our standalone retail outlets, which was mainly due to the opening of new standalone retail outlets.

Of the RMB2,353.7 million increase in our total revenue from retail outlets in FY2013, RMB1,063.0 million, or 45.2%, was attributable to sales at our new retail points opened in FY2013. The following table sets out a breakdown of our revenue by age of retail points for the years indicated:

	Year ended 31 December				% change between FY2012 and FY2013
	2012		2013		
	RMB thousands	% of total	RMB thousands	% of total	
Existing retail points[(1)]	2,823,123	72.9	5,162,097	82.9	82.9
New retail points[(2)]	1,048,287	27.1	1,062,990	17.1	1.4
Total	3,871,410	100.0	6,225,087	100.0	60.8

Notes:

(1) Existing retail points, with respect to a financial period, comprise the retail points that commenced sales prior to January in such financial period.

(2) New retail points, with respect to a financial period, comprise the retail points that commenced sales in or after January in such financial period.

Revenue by brand

The following table sets out a breakdown of our revenue by brands for the periods indicated:

	Year ended 31 December				% change between FY2012 and FY2013
	2012		2013		
	RMB thousands	% of total	RMB thousands	% of total	
La Chapelle	1,907,344	49.2	2,560,936	41.1	34.3
La Chapelle Sport	1,520,243	39.3	2,031,666	32.6	33.6
Candie's	224,770	5.8	474,058	7.6	110.9
La Chapelle Homme/Pote[(1)]	72,092	1.9	188,929	3.0	162.1
7.Modifier[(2)]	127,946	3.3	701,308	11.3	448.1
La Babité[(2)]	19,723	0.5	264,684	4.3	1,242.0
La Chapelle Kids[(3)]	–	–	3,506	0.1	–
Total	3,872,118	100.0	6,225,087	100.0	60.8

Notes:

(1) Revenue from sales of La Chapelle Homme in FY2013 included sales of Pote. Please refer to "Business – Our Brands".

(2) We launched 7.Modifier and La Babité in 2012.

(3) We launched La Chapelle Kids in 2013.

Revenue in FY2013 increased across all of our brands compared to FY2012 mainly due to the opening of new retail points and growth in the sales, particularly under our newer brands, such as 7.Modifier and Candie's. During FY2012 and FY2013, a majority of our revenue was derived from sales under the La Chapelle and La Chapelle Sport brands. However, revenue from our newer brands displayed faster growth than that from La Chapelle and La Chapelle Sport mainly due to our efforts to enhance the market awareness and increase the sales of our newer brands.

Revenue by tier of cities

The following table sets out a breakdown of our revenue by tier of cities for the periods indicated:

	Year ended 31 December				% change between FY2012 and FY2013
	2012		2013		
	RMB thousands	% of total	RMB thousands	% of total	
Tier I Cities	603,903	15.6	848,288	13.7	40.5
Tier II Cities	1,723,556	44.5	2,638,820	42.4	53.1
Tier III Cities	831,366	21.5	1,452,530	23.3	74.7
Other Cities	713,293	18.4	1,285,449	20.6	80.2
Total	3,872,118	100.0	6,225,087	100.0	60.8

Our revenue increased across all the tiers of cities in FY2013 primarily attributable to the nationwide expansion of our retail network. In FY2013, revenue from Tier I Cities, which constituted 13.7% of our total revenue in FY2013, increased by 40.5% compared to FY2012. Revenue from other cities demonstrated faster growth compared to Tier I Cities, largely because we expanded our business into Tier II Cities, Tier III Cities and other cities where we believe there is larger growth potential and less intense competition compared to Tier I Cities.

Revenue by product type

The following table sets out a breakdown of our revenue by categories of our products for the periods indicated:

	Year ended 31 December				% change between FY2012 and FY2013
	2012		2013		
	RMB thousands	% of total	RMB thousands	% of total	
Tops	2,468,026	63.7	3,622,189	58.2	46.8
Bottoms	322,775	8.3	536,714	8.6	66.3
Dresses	1,059,763	27.4	2,036,077	32.7	92.1
Accessories	21,554	0.6	30,107	0.5	39.7
Total	3,872,118	100.0	6,225,087	100.0	60.8

Cost of sales

Our cost of sales increased by 77.3% from RMB1,095.2 million in FY2012 to RMB1,941.7 million in FY2013. The increase was primarily attributable to an increase in our procurement of finished goods from third party manufacturers to support our increased sales resulting from the expansion of our retail network. Our cost of inventories increased to RMB1,803.8 million in FY2013 from RMB1,033.3 million in FY2012. The increase in our cost of sales was also due to provisions for inventories of RMB92.1 million in FY2013 compared to RMB36.0 million in FY2012. The increase in provisions for inventories was mainly a result of our increased inventories attributable to our increased sales as well as the aging of our inventories. Please refer to "– Critical Accounting Estimates and Judgements – Inventories" and "Business – Inventory Control and Logistics – Inventory Control".

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 54.2% from RMB2,776.9 million in FY2012 to RMB4,283.4 million in FY2013. Our gross profit margin decreased from 71.7% in FY2012 to 68.8% in FY2013, which is mainly attributable to our adjustment of the pricing of our products to respond to the adverse change in market conditions in the PRC retail industry.

Selling and marketing expenses

Our selling and marketing expenses increased by 54.3% from RMB2,265.3 million in FY2012 to RMB3,495.4 million in FY2013. This increase was primarily attributable to the expansion of our retail network, resulting in an increase in concessionaire fees and rental expenses as well as an increase in our sales staff expenses. In FY2013, we incurred concessionaire fees, rental and store maintenance expenses and employee benefit expenses related to sales staff amounting to RMB1,189.9 million, RMB542.6 million and RMB1,139.1 million, respectively, compared to RMB958.8 million, RMB297.5 million and RMB645.6 million, respectively, in FY2012. The increase in our concessionaire fees was primarily due to our increased sales from concessionaire counters and the growth in the number of concessionaire counters. As a percentage of our selling and marketing expenses, concessionaire fees decreased from 42.3% in FY2012 to 34.0% in FY2013, mainly because some third-party department stores where we operated retail points lowered the percentages of concessionaire fees they charged in FY2013. The increase in rental and store maintenance expenses was primarily attributable to the opening of standalone retail outlets. The increased employee benefit expenses were due to an increase in base salaries and the number of our sales employees, as well as an increase in sales bonuses as a result of increased sales. Depreciation related to the decorating expenses of our retail points also contributed to the increase in selling and marketing expenses. In FY2013, RMB294.8 million of depreciation was charged to selling and marketing expense compared to RMB135.8 million in FY2012.

Our selling and marketing expenses as a percentage of our total revenue decreased from 58.5% in FY2012 to 56.2% in FY2013, primarily due to a smaller increase in concessionaire fees relative to other expenses primarily as a result of the decrease in the percentages of concessionaire fees charged by third-party department stores as well as our focus on opening standalone retail outlets in FY2013.

Administrative expenses

Our administrative expenses increased by 44.0% from RMB159.8 million in FY2012 to RMB230.1 million in FY2013. The increase was primarily attributable to an increase in the cost of administrative staff, an increase in professional consulting fees and listing expenses. Administrative employee benefit expenses increased from RMB117.6 million in FY2012 to RMB145.2 million in FY2013 as a result of an increase in the number of regional administrative employees due to expansion of our distribution network and increased employee base salaries in FY2013. Our professional consulting fees increased from RMB4.0 million in FY2012 to RMB15.6 million in FY2013, mainly due to the consulting services we received in relation to Beijing Goldman Sachs' investment in our Company and consulting services for upgrading our SAP ERP system.

Other gains – net

Other gains – net increased from RMB12.7 million in FY2012 to RMB31.6 million in FY2013. The increase in other gains – net was mainly attributable to an increase in government incentives from RMB13.3 million in FY2012 to RMB27.3 million in FY2013. Please refer to "– Description of Selected Line Items in Our Consolidated Statements of Comprehensive Income – Other gains-net".

Finance costs – net

Our finance costs – net increased significantly from RMB13.2 million in FY2012 to RMB36.1 million in FY2013. This increase was primarily attributable to a substantial increase in our bank borrowings in FY2013 to fund our cash needs, resulting in an increase in interest expenses. Interest expenses increased from RMB13.6 million in FY2012 to RMB38.1 million in FY2013.

Profit before income tax

Our profit before income tax increased by 57.6% from RMB351.2 million in FY2012 to RMB553.4 million in FY2013. This increase was primarily attributable to our increased revenue and our strengthened cash management which resulted in a slower increase in our selling and marketing expenses and our administrative expenses in FY2013.

Income tax expense

Our income tax expense increased by 52.7% from RMB91.7 million in FY2012 to RMB140.0 million in FY2013 primarily attributable to an increase in our profit before income tax in FY2013.

Profit for the year and profit margin

As a result of the foregoing, our profit for the year increased by 59.3% from RMB259.6 million in FY2012 to RMB413.4 million in FY2013. Our profit margin decreased from 6.7% in FY2012 to 6.6% in FY2013.

Comparison of the year ended 31 December 2012 with the year ended 31 December 2011

Revenue

Our revenue increased by 107.7% from RMB1,864.2 million in FY2011 to RMB3,872.1 million in FY2012. The increase was primarily due to the opening of new retail points, launch of new brands and growth in our Same Store Sales. The number of our retail points increased from 1,841 as at 31 December 2011 to 3,340 as at 31 December 2012, partially attributable to the opening of new retail points for 7. Modifier and La Babité which we launched in 2012.

Same Store Sales increased by approximately 41.6% in FY2012 in comparison with FY2011. This increase was primarily a result of the higher market awareness of our brands, our efforts to strengthen our selling and marketing capabilities, our increased sales incentives to encourage our sales staff and a general increase in the average selling prices of our products. We believe that the increase in Same Store Sales was also driven by the increased purchasing power of our customers.

Revenue by distribution channel

The following table sets out a breakdown of our revenue by sales made through different distribution channels for the years indicated:

	Year ended 31 December				% change between FY2011 and FY2012
	2011		2012		
	RMB thousands	% of total	RMB thousands	% of total	
Retail					
Concessionaire counters	1,584,935	85.0	3,082,771	79.6	94.5
Standalone retail outlets	270,421	14.5	788,639	20.4	191.6
	1,855,356	99.5	3,871,410	100.0	108.7
Online platform[(1)]	4,257	0.3	–	–	(100.0)
	1,859,613	99.8	3,871,410	100.0	108.2
Wholesale distributors	4,554	0.2	708	0.0	(84.5)
Total	1,864,167	100.0	3,872,118	100.0	107.7

Note:

(1) Sales from online platform represent the sales we made through a third-party agent on an online platform.

In FY2012, a significant portion of our revenue was derived from sales at our concessionaire counters and revenue from our standalone retail outlets displayed faster growth than the revenue from our concessionaire counters. The faster growth in the revenue from our standalone retail outlets was primarily due to significant growth in the number of standalone retail outlets in comparison with FY2011. The 84.5% decrease in revenue from wholesale distributors was attributable to our decision to terminate wholesale distribution in 2012.

Of the RMB2,016.1 million increase in the total revenue from our retail outlets in FY2012, RMB1,048.3 million, or 52.0%, was attributable to sales at our new retail points opened in FY2012. This was primarily due to the significant increase in the number of our retail points and the launch of new brands, such as 7.Modifier and La Babité, in FY2012. The following table sets out a breakdown of our revenue from our retail points by our existing and new retail points for the years indicated:

	Year ended 31 December				% change between FY2011 and FY2012
	2011		2012		
	RMB thousands	% of total	RMB thousands	% of total	
Existing retail points[1]	1,462,856	78.8	2,823,123	72.9	93.0
New retail points[2]	392,500	21.2	1,048,287	27.1	167.1
Total	1,855,356	100.0	3,871,410	100.0	108.7

Notes:

(1) Existing retail points, with respect to a financial year, refer to the retail points that commenced sales prior to January of such financial year.

(2) New retail points, with respect to a financial year, refer to the retail points that commenced sales in or after January of such financial year.

Revenue by brand

The following table sets out a breakdown of our revenue by brands for the years indicated:

	Year ended 31 December				% change between FY2011 and FY2012
	2011		2012		
	RMB thousands	% of total	RMB thousands	% of total	
La Chapelle	979,468	52.5	1,907,344	49.2	94.7
La Chapelle Sport	817,612	43.9	1,520,243	39.3	85.9
Candie's	62,200	3.3	224,770	5.8	261.4
La Chapelle Homme	4,880	0.3	72,092	1.9	1,377.3
7.Modifier[1]	–	–	127,946	3.3	–
La Babité[1]	–	–	19,723	0.5	–
La Lumdi[2]	7	0.0	–	–	(100.0)
Total	1,864,167	100.0	3,872,118	100.0	107.7

Notes:

(1) We launched 7.Modifier and La Babité in 2012.

(2) We discontinued La Lumdi in 2010.

La Chapelle and La Chapelle Sport were the largest contributors to the increase in our revenue in FY2012 despite the fact that the growth rate in the revenue from Candie's and La Chapelle Homme outpaced La Chapelle and La Chapelle Sport. Revenue from Candie's as a percentage of our total revenue increased from 3.3% in FY2011 to 5.8% in FY2012, primarily because we opened more retail points for Candie's and it experienced enhanced brand awareness in 2012. We launched 7.Modifier and La Babité in 2012, which also contributed to the increased revenue in FY2012.

Revenue by tiers of cities

The following table sets out a breakdown of our revenue by tiers of cities for the years indicated:

	Year ended 31 December				% change between FY2011 and FY2012
	2011		2012		
	RMB thousands	% of total	RMB thousands	% of total	
Tier I Cities	355,290	19.0	603,903	15.6	70.0
Tier II Cities	853,461	45.8	1,723,556	44.5	101.9
Tier III Cities	373,318	20.0	831,366	21.5	122.7
Other Cities	282,098	15.2	713,293	18.4	152.9
Total	1,864,167	100.0	3,872,118	100.0	107.7

Our increased revenue in FY2012 over FY2011 from each tier of cities was primarily attributable to the nationwide expansion of our retail network in FY2012. Revenue from other tiers of cities displayed larger growth in comparison with Tier I Cities. The larger growth was mainly due to our business expansion into Tier II Cities and Tier III Cities where we believe there is larger growth potential and less intense competition compared to Tier I Cities.

Revenue by product type

The following table sets out a breakdown of our revenue by categories of our products for the years indicated:

	Year ended 31 December				% change between FY2011 and FY2012
	2011		2012		
	RMB thousands	% of total	RMB thousands	% of total	
Tops	1,289,590	69.2	2,468,026	63.7	91.4
Bottoms	192,192	10.3	322,775	8.3	67.9
Dresses	369,499	19.8	1,059,763	27.4	186.8
Accessories	12,886	0.7	21,554	0.6	67.3
Total	1,864,167	100.0	3,872,118	100.0	107.7

Cost of sales

Our cost of sales increased by 100.1% from RMB547.2 million in FY2011 to RMB1,095.2 million in FY2012. The increase was mostly due to an increase in our cost of inventories relating to increased purchases of products under outsourced production arrangements resulting from our increased sales. Our cost of inventories increased from RMB522.8 million in FY2011 to RMB1,033.3 million in FY2012. A general increase in labour and raw materials costs in the PRC in FY2012 also indirectly contributed to the increased cost of inventories by causing an increase in the purchase prices charged to us by third party manufacturers. The increased cost of sales was also due to RMB36.0 million of write-downs in FY2012 in respect of obsolete inventories, compared to a write-down of RMB8.4 million in FY2011. The increased write-downs were mainly due to our management's estimates on the selling prices of inventories based on the market conditions when the provisions were made, an increase in stocks as we opened more retail points in FY2012 and the aging of our obsolete inventories.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 110.9% from RMB1,316.9 million in FY2011 to RMB2,776.9 million in FY2012 and our gross profit margin increased from 70.6% in FY2011 to 71.7% in FY2012.

Selling and marketing expenses

Our selling and marketing expenses increased by 115.1% from RMB1,053.2 million in FY2011 to RMB2,265.3 million in FY2012. The significant increase was primarily attributable to the expansion of our retail network, resulting in an increase in concessionaire fees and rental expenses as well as an increase in our sales staff expenses. In FY2012, we incurred concessionaire fees, rental and store maintenance expenses and employee benefit expenses related to sales staff amounting to RMB958.8 million, RMB297.5 million and RMB645.6 million, respectively, compared to RMB481.5 million, RMB132.4 million and RMB268.6 million, respectively, in FY2011. The increase in our concessionaire fees was primarily due to our increased sales from concessionaire counters and the growth in the number of concessionaire counters. The significant increase in rental and store maintenance expenses was primarily attributable to our focus on increasing the number of standalone retail outlets. The increased employee benefit expenses were due to an increase in base salaries and the number of our sales employees, as well as an increase in sales bonuses as a result of increased sales. Depreciation related to decorating expenses of our retail points also contributed to the increase in selling and marketing expenses in FY2012. In FY2012, RMB135.8 million of depreciation was charged to selling and marketing expense compared to RMB56.2 million in FY2011.

Our selling and marketing expenses as a percentage of our revenue increased from 56.5% in FY2011 to 58.5% in FY2012. This increase was primarily attributable to the significant selling and marketing expenses (mainly concessionaire fees, rental-related expenses, sales staff expenses and depreciation related to decoration expenses) associated with opening new retail points, particularly standalone retail outlets, in FY2012.

Administrative expenses

Our administrative expenses increased by 69.0% from RMB94.6 million in FY2011 to RMB159.8 million in FY2012. The increase was primarily attributable to an increase in costs of administrative staff, as well as an increase in our operating rental expenses. Administrative employee benefit expenses increased from RMB65.8 million in FY2011 to RMB117.6 million in FY2012 as a result of an increase in the number of regional administrative employees due to expansion of our distribution network and increased employee base salaries in FY2012. The increase in administrative expenses in FY2012 was also partially due to RMB5.6 million of bank charges incurred for transactions processed through cashier terminal machines installed at our retail points, as compared to bank charges of RMB1.7 million in FY2011, and RMB3.1 million of amortisation of the licensing of our computer information systems.

Other gains – net

Other gains – net significantly increased from RMB1.2 million in FY2011 to RMB12.7 million in FY2012. Other gains – net in FY2012 were primarily attributable to RMB13.3 million of government incentives we received, including RMB8.3 million of financial subsidies from the local counterparts of the Ministry of Finance in 2012.

Finance costs – net

Our finance costs – net increased significantly from RMB1.8 million in FY2011 to RMB13.2 million in FY2012. The increase was primarily attributable to an increase in bank borrowings in FY2012 to satisfy our cash demands, which generated total interest expenses of RMB13.6 million in that year compared to RMB2.3 million in FY2011.

Profit before income tax

Our profit before income tax increased by 108.5% from RMB168.5 million in FY2011 to RMB351.2 million in FY2012, primarily due to an increase in our revenue and gross profit in FY2012.

Income tax expense

Our income tax expense increased by 101.6% from RMB45.5 million in FY2011 to RMB91.7 million in FY2012, primarily due to growth in profit before income tax which was generally in line with our revenue growth.

Profit for the year and profit margin

As a result of the foregoing, our profit for the year increased by 111.1% from RMB123.0 million in FY2011 to RMB259.6 million in FY2012 and our profit margin increased from 6.6% in FY2011 to 6.7% in FY2012.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and as at the Latest Practicable Date, we satisfied our working capital and other liquidity requirements with internally generated funds from sales of products, available banking facilities from PRC commercial banks and equity contributions by our Shareholders. Our working capital has been, and is expected to continue to be, used to fund the expansion of our retail network, enhance brand awareness, diversify our product portfolio and strengthen our logistics capabilities.

As at 31 July 2014, we had cash and cash equivalents of RMB549.9 million.

Analysis of cash flow data

During the Track Record Period, our operating cash flows and cash balances experienced significant fluctuations, which did not correspond to the growth in our revenue and profit. A substantial portion of our operating cash outflow was attributable to purchases of inventories as we expanded our sales and retail network and launched new brands. An increase in trade receivables due from department stores relating to sales at concessionaire counters also decreased our operating cash inflow, particularly in FY2011 and FY2012, which largely resulted from an increase in sales at concessionaire counters. In addition, the newly opened retail points usually had to experience an initial development period before they break even or achieve profitability. During this initial period, operating cash outflow may exceed cash inflow generated by those retail points.

The following table summarises our condensed consolidated cash flow statements for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands (unaudited)	RMB thousands
Net cash generated from operating activities	80,613	86,842	303,469	23,008	266,813
Net cash used in investing activities	(129,429)	(369,999)	(489,509)	(192,284)	(233,350)
Net cash generated from financing activities	94,000	289,360	597,976	548,489	83,803
Net increase in cash and cash equivalents	45,184	6,203	411,936	379,213	117,266
Cash and cash equivalents at the end of the year/period	102,411	108,614	520,550	487,827	637,816

Cash flow generated from operating activities

In 1HFY2014, we had cash generated from operating activities before changes in working capital but after adjustments for non-cash income and expenses of RMB556.7 million and a net cash inflow from operating activities of RMB266.8 million. The difference of RMB289.9 million was primarily attributable to a cash outflow resulting from a decrease in our trade payables of RMB391.8 million attributable to our shortened payment periods relating to our payables to third party manufacturers. This cash outflow was partially offset by a cash inflow resulting from: (i) a decrease in trade receivables of RMB155.7 million due to increased contribution to the sales from products sold through standalone retail outlets and (ii) a decrease in inventories of RMB34.5 million due to the fact that the inventories at the end of June usually comprise spring and summer clothing carrying lower tag prices than winter clothing.

In 1HFY2013, we had cash generated from operating activities before changes in working capital but after adjustments for non-cash income and expenses of RMB429.7 million and a net cash inflow from operating activities of RMB23.0 million. The difference of RMB406.7 million was primarily attributable to a cash outflow resulting from (i) a decrease in our trade payables of RMB307.5 million because we shortened the payment periods relating to our payables to third party manufacturers and (ii) an increase in deposits, prepayments and other receivables of RMB143.3 million attributable to increased prepayments for our procurement of finished products from third party manufacturers. This cash outflow was partially offset by a cash inflow resulting from a decrease in trade receivables of RMB72.4 million due to our recovery of outstanding payments from sales of products from department stores and an increase in other payables and accruals of RMB61.7 million, mainly due to third-party contractors as a result of an increase in decorating and furnishing of our retail points.

In FY2013, we had cash generated from operating activities before changes in working capital but after adjustments for non-cash income and expenses of RMB976.8 million and a net cash inflow from operating activities of RMB303.5 million. The difference of RMB673.3 million was primarily attributable to a cash outflow resulting from (i) an increase in inventories of RMB536.5 million due to the expansion of our retail network and relatively warm winter months at the end of 2013, which adversely impacted sales of our winter outfits towards the end of FY2013 and (ii) an increase in trade receivables of RMB186.0 million attributable to increased sales of our products through concessionaire counters at department stores. This cash outflow was partially offset by a cash inflow resulting from a increase in other payables, accruals and other liabilities of RMB138.1 million due to third-party contractors as a result of an increase in decorating and furnishing of our retail points and an increase in trade and bill payables of RMB121.0 million largely attributable to an increase in our procurement of finished goods to support our growing business.

In FY2012, we had cash generated from operating activities before changes in working capital but after adjustments for non-cash income and expenses of RMB547.9 million and a net cash inflow from operating activities of RMB86.8 million The difference of RMB461.1 million was primarily attributable to a cash outflow resulting from (i) an increase in inventories of RMB458.9 million due to expansion of our retail network, launches of new brands and our increased sales, (ii) an increase in trade receivables of RMB354.3 million due to increased sales of our products through concessionaire counters and (iii) an increase in deposits, prepayments and other receivables of RMB120.9 million attributable to increased prepayments relating to our procurement from third party manufacturers and increased deposits relating to the opening and decorating of new retail points. This cash outflow was partially offset by a cash inflow resulting from an increase in trade payables of RMB443.5 million due to manufacturers as a result of increased procurement, and an increase in other payables and accruals of RMB145.9 million, mainly due to third-party contractors as a result of the decorating and furnishing of our retail points.

In FY2011, we had cash generated from operating activities before changes in working capital but after adjustments for non-cash income and expenses of RMB242.9 million and a net cash inflow from operating activities of RMB80.6 million. The difference of RMB162.3 million was primarily attributable to a cash outflow resulting from (i) an increase in trade receivables of RMB183.2 million due to increased sales of our products through concessionaire counters at department stores, (ii) an increase in inventories of RMB165.8 million due to expansion of our retail network and increased sales and (iii) an increase in deposits, prepayments and other receivables of RMB39.2 million attributable to increased prepayments relating to the procurement of finished goods and increased deposits paid to contractors for our retail points. This cash outflow was partially offset by a cash inflow resulting from an increase in trade payables of RMB165.0 million due to manufacturers as a result of increased procurement, and an increase in other payables and accruals of RMB99.4 million, mainly due to third-party contractors relating to decorating and furnishing of our retail points.

Cash flow used in investing activities

In 1HFY2014, we had net cash used in investing activities of RMB233.4 million, primarily due to cash used in the purchase of property, plant and equipment of RMB231.8 million, mainly relating to decorating and furnishing or our retail points and payment related to the development of our regional warehousing and logistics centre in Taicang.

In 1HFY2013, we had net cash used in investing activities of RMB192.3 million, primarily due to cash used in the purchase of property, plant and equipment of RMB169.8 million, mainly relating to decorating and furnishing of our retail points, and payment of RMB16.2 million related to our acquisition of land for developing our regional warehousing and logistics centre in Taicang, including land premium, taxes and other related expenses.

In FY2013, we had net cash used in investing activities of RMB489.5 million, primarily due to cash used in purchases of property, plant and equipment of RMB461.4 million, mainly relating to decorating and furnishing of our retail points, and a payment of RMB16.2 million related to our acquisition of land for developing our regional warehousing and logistics centre in Taicang, including land premium, taxes and other related expenses.

In FY2012, we had net cash used in investing activities of RMB370.0 million, primarily due to cash used in purchases of property, plant and equipment of RMB347.0 million mainly relating to decorating and furnishing of our retail points, and purchases of information system software of RMB19.5 million.

In FY2011, we had net cash used in investing activities of RMB129.4 million, primarily attributable to cash used in purchases of property, plant and equipment of RMB120.3 million, mainly relating to decorating and furnishing of our retail points.

Cash flow generated from financing activities

In 1HFY2014, we had net cash generated from financing activities of RMB83.8 million, primarily attributable to drawdowns of new bank borrowings of RMB654.9 million, largely offset by repayment of bank borrowings of RMB417.3 million and payment of dividends of RMB147.6 million.

In 1HFY2013, we had net cash generated from financing activities of RMB548.5 million, primarily attributable to drawdowns of new bank borrowings of RMB471.8 million and cash of RMB300.0 million received in connection with the equity contribution by Beijing Goldman Sachs, partially offset by repayment of bank borrowings of RMB207.0 million and payment of dividends of RMB16.3 million.

In FY2013, we had net cash generated from financing activities of RMB598.0 million, primarily attributable to drawdowns of new bank borrowings of RMB939.5 million and cash RMB300.0 million received in connection with the equity contribution by Beijing Goldman Sachs, partially offset by repayment of bank borrowings of RMB584.5 million and payment of dividends of RMB51.2 million.

In FY2012, we had net cash generated from financing activities of RMB289.4 million, primarily attributable to drawdowns of new bank borrowings of RMB506.0 million, partially offset by repayment of bank borrowings of RMB187.0 million and payment of dividends of RMB30.0 million.

In FY2011, we had net cash generated from financing activities of RMB94.0 million primarily relating to drawdowns of new bank borrowings of RMB117.0 million, which was partially offset by payment of dividends of RMB12.0 million and repayment of bank borrowings of RMB11.0 million.

DESCRIPTION OF SELECTED LINE ITEMS IN OUR CONSOLIDATED BALANCE SHEETS

Net Current Assets

The following table sets out our consolidated current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 July
	2011	**2012**	**2013**	**2014**	**2014**
	RMB thousands	**RMB thousands**	**RMB thousands**	**RMB thousands**	**RMB thousands (unaudited)**
Current assets					
Inventories	398,082	826,906	1,292,927	1,211,009	1,203,617
Trade receivables	333,298	687,588	873,591	717,875	705,784
Deposits, prepayments and other receivables	66,966	190,616	245,922	236,143	258,820
Prepaid current income tax	3,191	6,583	1,370	1,026	762
Restricted cash	–	1,009	486	325	325
Cash and cash equivalents	102,411	108,614	520,550	637,816	549,920
	903,948	**1,821,316**	**2,934,846**	**2,804,194**	**2,719,228**
Current liabilities					
Deferred income	2,024	2,553	8,144	10,601	10,201
Trade payables	350,686	794,196	915,225	523,440	421,707
Other payables, accruals and other current liabilities	227,042	475,419	778,908	688,617	731,409
Current income tax liabilities	58,845	84,749	140,227	112,821	94,912
Borrowings	106,000	425,000	780,000	987,600	987,600
	744,597	**1,781,917**	**2,622,504**	**2,323,079**	**2,245,829**
Net current assets	**159,351**	**39,399**	**312,342**	**481,115**	**473,399**

Our net current assets fluctuated significantly during the Track Record Period. The decrease in our net current assets as at 31 December 2012 in comparison with 31 December 2011 was primarily due to increases in our trade payables and bank borrowings used to fund our procurement of finished goods and opening of our new retail points. The increases in our inventories (largely inventories of finished goods), trade receivables relating to sales at our concessionaire counters, trade payables relating to our procurement of finished goods and other payables and accruals relating to decorating of new retail points were generally in line with our increased sales during FY2011 and FY2012. Please refer to "– Indebtedness".

Our net current assets increased as at 30 June 2014 in comparison with 31 December 2013 mainly attributable to the cash we received as a result of an increase in cash flow from operations and a lower level of trade payables due to lower purchase prices of spring and summer clothing in the inventory and improved procurement process.

Inventories

Inventories primarily consist of finished goods produced by third party manufacturers. The following table sets out the level of our inventory and average inventory turnover days as at the dates indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands
Raw materials	10,896	7,526	4,381	1,554
Finished goods	385,780	815,150	1,282,257	1,200,748
Low value consumables	1,406	4,230	6,289	8,707
	398,082	**826,906**	**1,292,927**	**1,211,009**

	For the year ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014
Average inventory turnover days[1]	212	204	199	212

Note:

(1) Average inventory turnover days is equal to the average inventory divided by cost of sales and multiplied by 365 days (or, with respect to average inventory turnover days as at 30 June 2014, by 183 days). Average inventory equals inventory at the beginning of the financial year (or financial period) plus inventory at the end of the financial year (or financial period) and divided by two.

Finished goods

The nature of our business requires us to have sufficient stocks of products in different designs, colours and sizes for display and to satisfy demand from customers. Therefore, finished goods accounted for a significant portion of our inventories, representing 96.9%, 98.6%, 99.2% and 99.2% of our inventories as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. Inventories of finished goods increased from RMB385.8 million as at 31 December 2011 to RMB815.2 million as at 31 December 2012, RMB1,282.3 million as at 31 December 2013 and RMB1,200.7 million as at 30 June 2014. The significant increase was primarily attributable to (i) expansion of our business scale and retail network (particularly standalone retail outlets) and (ii) launch of several new brands, such as 7.Modifier and La Babité, in 2012 which contributed to increased stocks under different brands. The number of our retail points increased by 81.4% from 1,841 as at 31 December 2011 to 3,340 as at 31 December 2012 and increased further by 61.2% to 5,384 as at 31 December 2013. The number of standalone retail points increased by 134.9% from 315 as at 31 December 2011 to 740 as at 31 December 2012 and increased further by 92.0% to 1,421 retail points as at 31 December 2013. The increase in inventories of finished goods as at 31 December 2013 compared to 31 December 2012 was also attributable to (i) an overall slowdown in the Chinese economy as well as government policies against conspicuous consumption which drove down traffic at department stores and shopping malls, and (ii) relatively warm winter months at the end of 2013, which adversely impacted sales of our winter outfits towards the end of FY2013. The inventories of finished goods as at 30 June 2014 remained high mainly due to the unusually high inventory level as at 31 December 2013.

Our average inventory turnover days decreased during FY2011 and FY2013 partially due to our sales in general which we believe benefited from our enhanced brand recognition. The decrease in average inventory turnover days was also attributable to our enhanced communication with manufacturers relating to product deliveries, which improved our inventory management and shortened the storage period prior to sales. The average inventory turnover days increased during 1HFY2014 due to the relatively high inventory level as at 31 December 2013, which was mainly attributable to an increased stock of winter outfits at the end of 2013 due to the adverse impact of the relatively warm winter months during that time on the sales of our winter outfits towards the end of FY2013 and at the beginning of 1HFY2014.

During the Track Record Period, we directly controlled and operated 100% of our retail points and substantially all of our sales were carried out at our retail points. Compared to distributorship and franchise models, our direct sales model may lead to a relatively high inventory level and long average inventory turnover days, because increases in the inventories or average turnover days at any retail point will directly affect our Group's financial condition. During the Track Record Period, we launched several brands and the number of our retail points increased from 1,841 as at 31 December 2011 to 5,671 as at 30 June 2014. This expansion in a large part increased our inventory balances throughout the Track Record Period and especially in the second half and towards the end of a year, we experienced a seasonal increase in our inventories. Please refer to "– Factors Affecting Financial Condition and Results of Operations – Seasonality".

Raw materials

Raw material inventories represent the raw materials we purchased for third party manufacturers under a small number of outsourced production arrangements. The decrease in our raw materials inventories during the Track Record Period was largely because we increasingly outsourced raw materials procurement to third party manufacturers to reduce the inventory of obsolete raw materials and to focus on managing the inventories of our products.

Low value consumables

Low value consumables represent the value of display models and other consumables used in the course of marketing and sales of our products. The increase in inventories of low value consumables during the Track Record Period was largely due to the opening of new retail points which required additional display models and furnishings.

Sale or Utilisation of Inventories

As at 31 July 2014, inventories of a total value of RMB185.7 million, representing approximately 15.3% of the ending balance as at 30 June 2014, were sold or utilised. These inventories consisted of (i) finished goods of RMB185.4 million, and (ii) low value consumables of RMB0.3 million. For details about our inventory control, please refer to "Business – Inventory Control and Logistics – Inventory Control".

Trade receivables

Trade receivables represent the receivables of cash from sales of our products due from the department stores and shopping malls where we operate retail points. The following table sets out our trade receivables and average trade receivables turnover days as at the dates and for the periods indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands
Trade receivables	333,298	687,588	873,591	717,875

	For the year ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014
Average trade receivables turnover days[1]	47	48	46	41

Note:

(1) Average trade receivables turnover days is equal to the average trade receivables divided by revenue and multiplied by 365 days (or, with respect to average trade receivables turnover days as at 30 June 2014, by 183 days). Average trade receivables equal trade receivables at the beginning of the financial year (or financial period) plus trade receivables at the end of the year (or financial period) and divided by two.

Cash from sales through our concessionaire counters in department stores is generally collectible up to 90 days after we issue invoices to the department stores. We normally give credit terms of up to 30 days to those shopping malls where we operate standalone retail outlets and which collect cash from sales through our standalone retail outlets under similar arrangements as our concessionaire agreements. Sales through other retail points are typically settled by contemporaneous payments in cash or credit or debit card on a POS machine. As such, we have no receivables generated from such sales.

The general increase in our trade receivables during the Track Record Period was primarily attributable to an increase in the sales at our concessionaire counters and a slight extension of the credit periods of receivables due from some concessionaire counters. Our average trade receivables turnover days were 47 days, 48 days, 46 and 41 days in FY2011, FY2012, FY2013 and 1HFY2014, respectively.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, 78.4%, 90.4%, 87.6% and 82.0%, respectively, of our trade receivables had an age of 30 days or fewer. The following table sets out a summary of the ages of our trade receivables based on invoice dates, as at the dates indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands
Trade receivables, gross				
Within 30 days	261,315	621,841	765,363	588,821
Over 30 days and within 60 days	41,376	36,938	54,425	60,282
Over 60 days and within 90 days	10,555	10,609	21,726	28,517
Over 90 days and within 180 days	14,962	9,180	22,778	32,761
Over 180 days and within 360 days	2,982	6,471	6,420	7,333
Over 360 days	2,108	2,549	2,879	161
	333,298	**687,588**	**873,591**	**717,875**

As at 31 December 2011, 2012 and 2013 and 30 June 2014, overdue trade receivables (which refer to those with aging over 90 days) accounted for 6.0%, 2.6%, 3.7% and 5.6%, respectively, of our total trade receivables. We typically open retail points within well-known department stores and major shopping malls. We did not make any provision for, and did not hold any collateral or other credit enhancements in respect of, the overdue trade receivables as at 30 June 2013 because we consider there is little likelihood that these trade receivables will become bad debts.

The following table sets out a summary of the ages of our trade receivables past due (which refer to those with aging over 90 days) but not impaired as at the dates indicated:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB thousands	**RMB thousands**	**RMB thousands**	**RMB thousands**
Over 90 days and within 180 days	14,962	9,180	22,778	32,761
Over 180 days and within 360 days	2,982	6,471	6,420	7,333
Over 360 days	2,108	2,549	2,879	161
	20,052	**18,200**	**32,077**	**40,255**

Our receivables due over 90 days and within 180 days increased as at 31 December 2013 in comparison with 31 December 2012 and further increased as at 30 June 2014. We have obtained a ruling of a court in our favour and we are in the process of enforcing the judgment to recover the overdue amount. The increase in the receivables due over 90 days and within 180 days as at 30 June 2014 in comparison with that as at 31 December 2013 was due to the fact that such receivables mainly comprise sales for winter clothes, which carry higher prices than summer and autumn clothes comprising the bulk of receivables as at 31 December 2013.

As at 31 July 2014, our trade receivables totalling RMB328.5 million, representing approximately 45.8% of the ending balance as at 30 June 2014, had been collected.

Deposits, prepayments and other receivables

The following table sets out a breakdown of our deposits, prepayments and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB thousands	**RMB thousands**	**RMB thousands**	**RMB thousands**
Deposits	39,839	83,033	117,962	116,917
Prepayments for purchases of inventories	25,794	101,229	119,155	87,776
Staff advances	1,241	3,485	2,909	5,710
Bidding deposit for purchase of land use rights	–	2,800	–	10,000
Prepayment of listing expenses	–	–	5,868	15,447
Others	92	69	28	293
	66,966	**190,616**	**245,922**	**236,143**

Prepayments for purchases of inventories primarily represent the advance payments we make to third party manufacturers in connection with the outsourced production of our products. The increase of prepayments during the Track Record Period was primarily attributable to the increase in our outsourced production as a result of the growth of our product sales. Since 2012, we have increasingly relied on a "one-stop" outsourced production arrangement for our production, under which manufacturers are responsible for raw materials procurement and raw materials costs were therefore included in the base for calculating the prepayments we needed to make to the manufacturers. As a result, prepayments to manufacturers substantially increased as at 31 December 2012 compared to 31 December 2011, as we increased our procurement of finished goods as a result of our increased sales. Our prepayments for purchases of inventories increased as at 31 December 2013 compared to 31 December 2012, but to a lesser extent than the increase between FY2011 and FY2012. In FY2012, we from time to time made prepayments ahead of the payment schedules in the relevant contracts. Since FY2013, we generally made prepayments in accordance with the payment schedules which in effect extended the periods before which prepayments were made relative to FY2012. Our prepayments for purchases of inventories decreased as at 30 June 2014 compared to 31 December 2013, as we improved our methodology for estimating the quantity of our products required for the next season. Please refer to "Business – Outsourced Production and Procurement – Outsourced Production – Key Terms".

Deposits primarily represent the security deposits we pay to department stores, shopping malls and lessors of retail spaces with respect to our retail points located in the relevant department stores, shopping malls and retail spaces. The general increase of our deposits during the Track Record Period was mainly due to the opening of new retail points and was generally in line with the expansion of our retail network. Please refer to "Business – Our Extensive Nationwide Retail Network – Concessionaire Counters – Concessionaire Agreements" and "Business – Our Extensive Nationwide Retail Network – Standalone Retail Outlets – Lease Agreements". Deposits also comprise advance payments we made to third party manufacturers and suppliers in relation to the procurement of finished goods and raw materials. Bidding deposit for purchasing a land use right as at 31 December 2012 related to our acquisition of a parcel of land in Taicang, Jiangsu Province, on which we are constructing a regional operation centre focusing on warehousing and logistics. Please refer to "Business – Inventory Control and Logistics – Warehousing and Logistics". Prepayment of listing expenses primarily represent the professional expenses we incurred in relation to the Global Offering and such expenses increased substantially as at 30 June 2014.

Trade and bill payables

Trade and bill payables primarily consist of the amounts due to our third party manufacturers in relation to production of our products in the ordinary course of our business. The following table sets out our trade and bill payables and average trade and bill payables turnover days as at the dates and for the periods indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands
Trade payables	215,475	556,333	317,755	259,887
Bill payables	135,211	237,863	597,470	263,553
	350,686	794,196	915,225	523,440

	For the year ended 31 December			For the six months ended 30 June
	2011	2012	2013	2014
Average trade and bill payables turnover days[(1)]	179	191	161	122

Note:

(1) Average trade and bill payables turnover days is equal to the average trade and bill payables divided by cost of sales and multiplied by 365 days (or, with respect to average trade and bill payables turnover days as at 30 June 2014, by 183 days). Average trade and bill payables equals trade payables at the beginning of the financial year (or financial period) plus trade and bill payables at the end of the year (or financial period) and divided by two.

The general increase in our trade and bill payables during the Track Record Period was primarily attributable to our increased procurement from manufacturers as a result of increased sales, which was generally in line with the increase in our cost of inventories. The significant increase in our trade and bill payables as at 31 December 2012 compared to 31 December 2011 was also due to the increase in the average turnover days in FY2012. The decrease in our trade and bill payables as at 30 June 2014 was due to our improved settlement process with third party manufacturers and the decrease in inventories as a result of the lower purchase prices of spring and summer clothes in the first half of the year.

The credit period for our purchases of finished goods from manufacturers typically is approximately 60 days after we receive a bill. Our average trade and bill payables turnover days increased from 179 days in FY2011 to 191 days in FY2012 and decreased to 161 days in FY2013, with a further drop to 122 days in 1HFY2014. Average trade and bill payables turnover days increased from 179 days in FY2011 to 191 days in FY2012 mainly because our procurement of finished goods from our manufacturers significantly increased in FY2012 as a result of the launches of our new brands and our increased sales. The decrease in our average trade and bill payable turnover days in FY2013 compared to FY2012 was mainly attributable to our enhanced communication with manufacturers, which helped us to shorten the period of time to check and match bills between our manufacturers and us. For the same reason, our trade payables decreased as at 30 June 2014 compared to 31 December 2013.

The following table sets out the aging analysis of the trade payables as at the dates indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands
Within 30 days	28,803	71,296	51,732	79,866
Over 30 days and within 60 days	133,747	141,275	130,000	94,293
Over 60 days and within 90 days	39,198	224,680	102,085	40,197
Over 90 days and within 180 days	7,835	112,051	29,479	19,836
Over 180 days and within 360 days	4,309	7,031	1,149	21,915
Over 360 days	1,583	–	3,310	3,780
	215,475	**556,333**	**317,755**	**259,887**

We had relatively long average trade and bill payables turnover days during the Track Record Period, particularly in FY2011 and FY2012. For one reason, suppliers' delay or disputes over the quality of the products delivered may cause extension of the time period for suppliers and us to match records of orders and delivery, which is a prerequisite for us to make the payment. This period is normally 60 days after we accept the relevant delivery. A seasonal fluctuation in trade and bill payables balances is another reason that causes the relatively high level of our payables turnover days. Trade and bill payables at the end of a year normally related to purchases of winter outfits which have higher selling prices than products for other seasons. As such, our average trade and bill payables turnover days tends to be longer if payable balances at the end of a year are used for calculation compared to the turnover days calculated based on payable balances at the middle of a year.

As at 31 July 2014, our trade and bill payables totalling RMB195.2 million, representing approximately 37.3% of the ending balance as at 30 June 2014, were settled.

Other payables, accruals and other current liabilities

The following table sets out a breakdown of our other payables, accruals and other current liabilities as at the dates indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands
Payables for purchases of property, plant and equipment	77,811	148,163	337,311	232,741
Payables for purchases of intangible assets	–	–	1,958	–
Liabilities linked to operating leases	34,817	101,392	165,029	178,766
Staff salaries and welfare payables	52,417	118,266	172,394	155,102
Accrued taxes other than income tax	48,597	53,529	37,285	70,788
Advance from customers	166	–	–	–
Interest payables	180	775	1,218	1,596
Customer's deposit	4,350	7,817	21,830	22,198
Payables for listing expenses	–	–	3,005	6,378
Other accrued expenses and payables	8,704	13,977	33,534	21,048
Dividends payables	–	31,500	5,344	–
	227,042	**475,419**	**778,908**	**688,617**

Payables for purchases of property, plant and equipment primarily comprise our payables due to contractors for decorating our retail points. Payables for purchases of property, plant and equipment increased during the Track Record Period, primarily attributable to expansion of our retail network, which resulted in increased decorating of our new retail points, particularly standalone retail outlets. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the number of our retail points was 1,841, 3,340, 5,384 and 5,671, respectively.

Staff salaries and welfare payables represent the amounts of employee salaries and welfare incurred which are to be paid in the subsequent period. Staff salaries and welfare payables generally increased during the Track Record Period, primarily due to an increase in the number and salaries of our employees.

Liabilities linked to operating leases represent the incentives we received from certain department stores and shopping malls. During the Track Record Period, certain department stores and shopping malls granted us a period during which our rents were waived or reduced as an incentive for entering into the relevant concessionaire agreements and lease agreements. The benefits of the incentives which are considered as part of the net rental consideration are recognised as a reduction of rental expenses over the terms of the relevant agreements on a straight-line basis. The general increase in these liabilities was mainly due to an increase in the incentives we received in connection with our opening of new retail points.

Current Income Tax Liabilities and Other Accrued Taxes

As at 31 December 2011, 2012 and 2013 and 30 June 2014, our current income tax liabilities amounted to RMB58.8 million, RMB84.7 million, RMB140.2 million and RMB112.8 million, respectively, representing our Enterprise Income Tax payables at the end of the reporting period, which is the difference between the accumulative tax provision made and actual tax paid. The increase in our current income tax liabilities during the Track Record Period was generally in line with the increase in our profit before tax.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, our accrued taxes other than income tax amounted to RMB48.6 million, RMB53.5 million, RMB37.3 million and RMB70.8 million, respectively, primarily related to VAT, city construction tax and education surcharge. The amount of VAT is generally calculated as certain percentage of the selling prices of our products and the amounts of city construction tax and education surcharge are calculated as certain percentages of our VAT payables. All of these taxes are payable on a quarterly basis. As such, the general increase in other accrued tax liabilities was mainly due to an increase in our sales during the Track Record Period.

As at the Latest Practicable Date, we had fulfilled all of our tax liabilities that had been due and payable and had performed other obligations under the applicable tax laws, and we were not aware of any dispute or potential dispute between us and the tax authorities in the PRC.

INDEBTEDNESS

As at 31 July 2014, we had total outstanding borrowings of RMB1,018.9 million, out of which RMB31.3 million were bank borrowings due after one year, and RMB987.6 million of which were bank borrowings due within one year after the relevant drawdown dates. The following table sets out details of our outstanding borrowings as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 July
	2011	2012	2013	2014	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands	RMB thousands (unaudited)
Non-current					
Bank borrowings – secured or guaranteed	–	–	–	30,000	31,266
Current					
Bank borrowings – secured or guaranteed	101,000	370,000	450,000	122,700	122,700
Bank borrowings – unsecured	5,000	55,000	330,000	864,900	864,900
	106,000	425,000	780,000	987,600	987,600
Total	106,000	425,000	780,000	1,017,600	1,018,866

During the Track Record Period, most of our bank borrowings were due within one year after the respective drawdown dates. We secured a long-term bank borrowing repayable within two years in relation to construction and operation of our logistics centre in Taicang in 1HFY2014. Our bank borrowings increased during the Track Record Period primarily attributable to our increased cash demand as a result of our business growth. Most of our bank borrowings carried variable interest rates benchmarked to the one-year Renminbi lending rate quoted by PBOC, while the interest rates of several bank loans were equal to the PBOC's benchmark rate plus a premium. The weighted average effective interest rates of our current bank borrowings as at 31 December 2011, 2012 and 2013 and 30 June 2014 were 6.34%, 6.54%, 5.98% and 6.02% per annum, respectively. The weighted average effective interest rate of our non-current bank borrowings as at 30 June 2014 was 6.77% per annum. The interest on our outstanding bank borrowings is typically payable in arrears on a quarterly basis. The proceeds of our bank borrowings were mainly used to pay for our procurement of finished goods from third party manufacturers. Proceeds of the bank loans were typically deposited in escrow accounts that were under the lending banks' supervision. We are required to provide evidence, such as invoices issued by the payees, in order to transfer funds from the escrow accounts, and the payments were typically made to the designated payees directly.

These bank borrowings contained borrower's undertakings customary for transactions of a similar type and nature. We or our borrowing subsidiaries are required, under the respective loan agreements, to repay principal and interest in accordance with the stipulated timelines. In addition, we are typically restricted from engaging in major corporate transactions, such as incurrence of substantial indebtedness, mergers and consolidations, disposal of substantial assets, reorganisation or restructurings without prior consent of or notification to the lenders. Some loan agreements contain cross acceleration provisions, which give the lending banks the right to demand immediate repayment of principal and unpaid interest if we default under other loans granted by the same lenders. We are not aware of any incident involving our Company or any of our borrowing subsidiaries not having complied with all material undertakings during the Track Record Period and as at the Latest Practicable Date, under our bank borrowings, which gave rise to any actions taken by any bank lenders.

We relied, in part, upon short-term bank loans to satisfy our cash demand primarily for three reasons. First, the proceeds of our bank borrowings were mainly used to purchase finished goods and satisfy other short-term working capital demands. As our sales were typically settled by contemporaneous payments in cash or credit or debit card on POS machines and we had low levels of trade receivable turnover days during the Track Record Period, we were able to collect cash quickly and maintain sufficient liquidity to serve our short-term obligations. Second, we typically had a larger amount of trade payables due to suppliers at the second half or towards the end of a year than other periods of a year. This seasonal fluctuation was mainly because the value of procurement towards the end of a year was greater due to higher selling prices of winter outfits. Third, short-term bank loans generally have lower interest rates than long-term loans and we believe that bank borrowings with shorter terms may give us greater flexibility to respond to the changing financial markets. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulty in obtaining new or renewing existing credit facilities and withdrawal of facilities.

During FY2011, FY2012 and FY2013, a majority of our bank borrowings were guaranteed by Mr. Xing Jiaxing, one of our Controlling Shareholders. Most of the guarantees related to specific bank loans and certain of our guarantees were maximum guarantees which covered all the short-term borrowings obtained by the borrowers from the same banks not exceeding a specified limit. Such guarantees provided by Mr. Xing Jiaxing were subsequently released in March 2014. Certain of our bank borrowings were secured by a pledge of accounts over designated trade receivables. As at 30 June 2014, RMB112.7 million of our outstanding borrowings were secured by pledges over our trade receivables with a total carrying amount of RMB3.2 million. See "– Related Party Transactions".

As at 31 July 2014, the total amount of our undrawn bank loan facilities was RMB821.1 million.

Our Directors confirmed that there has not been any material change in our indebtedness and contingent liabilities since 31 July 2014 up to the date of this prospectus.

RELATED PARTY TRANSACTIONS

During the Track Record Period, material transactions with our related parties include guarantees issued by Mr. Xing Jiaxing relating to certain of our outstanding bank borrowings. As at 31 December 2011, 2012 and 2013, RMB101.0 million, RMB370.0 million and RMB150.0 million, respectively, of our bank borrowings were guaranteed by Mr. Xing Jiaxing. Pursuant to these guarantees, Mr. Xing Jiaxing would be liable for all the due and unpaid amounts under the related bank loans as if he was the primary borrower. All of the guarantees were issued on an arm's length basis pursuant to the standard forms prepared by the respective lender banks. We did not provide any counter guarantee or security for Mr. Xing Jiaxing, and Mr. Xing Jiaxing did not receive any payment from us, relating to his guarantees. However, all of Mr. Xing Jiaxing's guarantees were released in March 2014.

The dividend of RMB0.39 per share in respect of FY2013, amounting to a total dividend of RMB142.2 million, was approved at our shareholders' meeting held on 16 February 2014 and such amount was paid out in February, March and June of 2014. Therefore, in 1HFY2014, we had RMB142.2 million as our related party transaction amount.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including the expected cash generated from our operations, the available banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital for at least the next 12 months from the date of this prospectus.

CONTINGENT LIABILITIES

We did not have any outstanding mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or guarantees or other material contingent liabilities as at 31 July 2014.

CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

Capital Commitments

We had capital commitments of RMB10.2 million, RMB21.4 million, RMB87.8 million and RMB35.0 million as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. The following table sets out our capital commitments contracted but not provided for as at the dates indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands
Property, plant and equipment	2,108	17,206	64,761	34,961
Intangible assets	8,110	4,203	23,000	–
Total	10,218	21,409	87,761	34,961

Our capital commitments with respect to purchase of property, plant and equipment mainly related to decorating our new retail points and our contractual obligations relating to the development of our warehousing and logistics centre in Taicang, Jiangsu Province. In FY2012 and FY2013, we entered into a number of contracts with third parties, including the appraiser, valuer, architects and designers, relating to our infrastructure project in Taicang, Jiangsu Province, which caused our capital commitments to substantially increase as at 31 December 2012 and 2013. Our capital commitment decreased substantially in 1HFY2014 as we have paid a substantial part of the fees and expenses related to the warehousing and logistics centre in Taicang.

Our capital commitments with respect to intangible assets were related to the purchase and upgrade of our computer information systems.

Operating Lease Commitments

Our operating lease commitments as at 31 December 2011, 2012 and 2013 and 30 June 2014 primarily represent our obligations under the lease agreements with respect to our standalone retail outlets. Our lease agreements typically have terms ranging from two to six years.

The following table sets out our total minimum lease payments under our operating leases falling due as at the dates indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands
Payment due by period				
Within one year	85,835	252,728	402,360	402,581
Between one year and five years	314,148	835,928	1,154,872	1,054,908
After five years	32,677	241,136	411,074	329,333
Total	432,660	1,329,792	1,968,306	1,786,822

The actual payments in respect of certain operating leases are calculated as a certain percentage of the sales of the relevant department stores or at the higher of the minimum commitments and the amounts determined based on a percentage of the sales of the department stores.

CAPITAL EXPENDITURES

In FY2011, FY2012, FY2013 and 1HFY2014, we incurred capital expenditures of RMB181.5 million, RMB436.8 million, RMB684.3 million and RMB127.9 million, respectively. The following table sets out our capital expenditures by nature for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
	RMB thousands	RMB thousands	RMB thousands	RMB thousands
Property, plant and equipment	171,696	417,355	650,591	127,220
Intangible assets	9,755	19,453	17,537	724
Land use rights	–	–	16,184	–
Total	181,451	436,808	684,312	127,944

Our capital expenditures for purchasing property, plant and equipment primarily related to the opening of our new retail points, particularly standalone retail outlets. The increase in such capital expenditures was mainly attributable to the expansion of our retail network during the Track Record Period.

Our capital expenditures for purchasing intangible assets related to the purchase and upgrade of our computer information system during the Track Record Period.

Our capital expenditures for purchasing land use rights in FY2013 related to our acquisition of the land for developing our warehousing and logistics centre in Taicang, Jiangsu Province. We estimate that the total investment amount of our Taicang project will be approximately RMB200 million. We financed the development of this project with cash from our operating activities and project loans we obtained from a PRC bank with the aggregate principal amount of RMB40.0 million, which are due in June 2015, December 2015, and June 2016, respectively. The assets of this project were used to secure the banking facilities we expect to obtain. Please refer to "Business – Inventory Control and Logistics – Warehousing and Logistics".

Anticipated Capital Expenditures

We anticipate that we will incur total capital expenditures of RMB446 million, RMB923 million and RMB1,035 million in the six months ending 31 December 2014 and the years ending 31 December 2015 and 2016, respectively. These anticipated capital expenditures will be mainly used to expand our retail network and develop warehousing and logistics centers which complement our retail network expansion.

Retail Network Expansion

Based on prevailing market conditions and our current expansion plans for our retail network, we plan to increase the number of our retail points by approximately 1,200 in the six months ending 31 December 2014 and by approximately 1,500 in each of 2015 and 2016, which may be adjusted from time to time due to changes in our future financial conditions and market conditions. Depending on the location and size of these retail points, we anticipate our capital expenditures (which primarily relate to store decoration, equipment and facilities, and acquisition of properties for standalone retail outlets) that will be used for such expansion of our retail network for the six months ending 31 December 2014 and the years ending 31 December 2015 and 2016 will be approximately RMB380 million, RMB448 million and RMB700 million, respectively. Please refer to "Business – Our Extensive Nationwide Retail Network – Retail Network Expansion" for further details of our current expansion plans for our retail network.

Development of Warehousing and Logistics Centers

We also intend to better align our warehousing and logistics infrastructures with our current expansion plans for our retail network by developing additional warehousing and logistics centers. Depending on the location and size of these additional warehousing and logistics centers, we anticipate our capital expenditures that will be used for the development of such additional warehousing and logistics centers for the six months ending 31 December 2014 and the years ending 31 December 2015 and 2016 will be approximately RMB63 million, RMB455 million and RMB21 million, respectively. Please refer to "Business – Our Business Strategies – Strengthen supply chain management and enhance warehousing and logistics infrastructure" for further details of our current expansion plans for our warehousing and logistics infrastructures.

Online Sales Platform and O2O Strategy

In August 2014, we launched our online flagship store on Tmall (a well-known business-to-customer online shopping platform in the PRC). It represents the first step in implementing our O2O strategy to take advantage of the potential synergies between offline and online retail channels. In order to strengthen our O2O strategy, we intend to offer our products on additional online shopping platforms (including those accessible through personal mobile devices) operated by ourselves or third parties at appropriate times in the future. Depending on the number of such additional platforms and the services to be offered through our online retail channels, we anticipate our capital expenditures for the implementation of our O2O strategy for the six months ending 31 December 2014 and for the years ending 31 December 2015 and 2016 will be approximately RMB3 million, RMB20 million and RMB21 million, respectively. Please refer to "Business – Online Sales Platform and O2O Strategy" for further details.

These anticipated capital expenditures will be financed by the net proceeds of the Global Offering, cash generated from our operations, external borrowings.

The following table sets out our anticipated capital expenditures for the six months ending 31 December 2014 and for each of the years ending 31 December 2015 and 2016:

	For the six months ending 31 December	For the year ending 31 December	
	2014	2015	2016
Anticipated Capital Expenditures	**RMB million**	**RMB million**	**RMB million**
Newly set-up retail points			
Breakdown by type			
Concessionaire counters	64	165	173
Standalone retail outlets	316	283	527
Sub-total	380	448	700
Breakdown by nature			
Store decoration, equipment and facilities and others	260	398	399
Acquisition of properties	120	50	301
Sub-total	380	448	700
Development of warehousing and logistics centers	63	455	314
O2O related expenditure	3	20	21
Total	446	923	1,035
Estimated source of funding			
Cash generated from our operations	102	120	154
External loans and/or bank borrowings	244	203	181
Net proceeds of the Global Offering	100	600	700
Total	446	923	1,035

The discussion and analysis of our anticipated capital expenditures set out above are based on prevailing market conditions and our current expansion plans for our retail network and our warehousing and logistics infrastructures. Such expansion plans may change and the actual amounts of capital expenditures may be different from the anticipated amounts for a variety of reasons, including changes in the economic and other conditions in the markets in which we operate, competition, our future results of operations, financial condition and cash flows, and the progress of our expansion plans. If our actual expenditure exceeds the net proceeds of the Global Offering designated for that purpose, we will seek to rely on cash from our operating activities and may consider borrowing additional bank loans or explore other sources of funding to satisfy our capital requirements. As at 30 June 2014, we had cash and cash equivalents of RMB637.8 million and net current assets of RMB481.1 million. As at 31 July 2014, we had undrawn bank loan facilities of RMB821.1 million.

ANALYSIS OF KEY FINANCIAL RATIOS

The tables below set out certain key financial ratios reflecting our financial condition and results of operations as at the dates or for the periods indicated:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
Liquidity ratios				
Current ratio[(1)]	1.2	1.0	1.1	1.2
Quick ratio[(2)]	0.7	0.6	0.6	0.7
Capital adequacy ratios				
Gearing ratio[(3)]	29.5%	74.8%	61.7%	75.1%
Debt-to-equity ratio[(4)]	1.0%	55.7%	20.5%	28.0%

Notes:

(1) Current ratio represents current assets as at a record date divided by current liabilities as at the same record date.

(2) Quick ratio represents current assets excluding inventory as at a record date divided by current liabilities as at the same record date.

(3) Gearing ratio represents total borrowings as at a record date divided by total equity as at the same record date and multiplied by 100.

(4) Debt-to-equity ratio represents total net debt (which is equal to total borrowings less cash and cash equivalents) as at a record date divided by total equity as at the same record date and multiplied by 100.

Current ratio and quick ratio

Our current ratio and quick ratio generally decreased between FY2011 and FY2013 primarily as a result of the increased trade payables due to third party manufacturers, increased prepayments and other payables due to contractors relating to decorating of our retail points, and increased bank borrowings to fund our increased purchase of products and expansion of retail networks. Our current ratio increased as at 30 June 2014 compared to 31 December 2013, primarily as a result of the decreased trade payables due to third party manufacturers. The increases of our current ratio and quick ratio as at 31 December 2013 compared to 31 December 2012 were primarily attributable to the cash from the equity contribution of Beijing Goldman Sachs in our Company. Our relatively low quick ratios during the Track Record Period were mainly attributable to the large amount of inventories of finished goods stocked at our retail points.

Gearing ratios and debt-to-equity ratios

Our gearing ratio significantly increased as at 31 December 2012 compared to 31 December 2011. The increase was primarily due to the increase in our bank borrowings which we incurred to fund our business expansion during FY2012. Our gearing ratio decreased as at 31 December 2013 compared to 31 December 2012 primarily as a result of the equity contribution of Beijing Goldman Sachs in our Company. However, our gearing ratio increased as at 30 June 2014 compared to 31 December 2013, primarily due to the increase in our bank borrowings to fund our business expansion and logistics centre in Taicang.

Our debt-to-equity ratio significantly increased as at 31 December 2012 compared to 31 December 2011, largely due to the increase in our bank borrowings which we incurred to fund our business expansion during FY2012. The decrease in our debt-to-equity ratio as at 31 December 2013 compared to 31 December 2012 was primarily caused by the equity contribution of Beijing Goldman Sachs in our Company. However, our debt-to-equity ratio increased as at 30 June 2014 compared to 31 December 2013, primarily due to the increase in our bank borrowings to fund our business expansion and logistics centre in Taicang.

Return on equity and return on assets

	Year ended 31 December		
	2011	**2012**	**2013**
Profitability ratios			
Return on assets[1]	11.1%	11.0%	10.6%
Return on equity[2]	34.2%	45.7%	32.7%

Notes:

(1) Return on assets represents net profit for a year divided by total assets as at the end of such year.

(2) Return on equity represents net profit for a year divided by total equity as at the end of such year.

Our return on assets remained stable during the Track Record Period. This was primarily attributable to the opening of new retail points, which contributed an increase in our profit and assets.

In FY2011, FY2012 and FY2013, we achieved a return on equity of approximately 34.2%, 45.7% and 32.7%, respectively, and the increase in the return on equity was largely attributable to significant growth in our net profit during the Track Record Period. Whether we are able to maintain our return on equity at this level going forward largely depends on our business and financial performance, which may be affected by many uncertainties beyond our control, including the performance of PRC clothing market, the success of our retail network expansion plans and multi-brand strategies, and competitive landscape of the mass-market clothing industry. Although our Directors believe that we are capable of implementing our expansion plans, adverse changes in general market conditions and performance of competitors are affected by many uncertainties beyond our control and may cause our performance to fluctuate in the future. As such, our Directors are of the view that the historical high-level of return on equity should not be considered an indication or guarantee of our future performance.

OFF BALANCE SHEET ARRANGEMENTS

Save as disclosed herein, we did not have any off-balance sheet arrangements as at the Latest Practicable Date.

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISKS

Market Risk

Foreign exchange risk

Our major operational activities are carried out in the PRC and a majority of our transactions are denominated in Renminbi. Our management is of the opinion that our exposure to changes in exchange rates of foreign currencies is insignificant. We do not use any derivative financial instruments to hedge our exposure to foreign exchange risk.

Cash flow and fair value interest rate risk

As we have no significant interest-bearing assets except for cash and cash equivalents and restricted cash, our income and operating cash flows are substantially independent of changes in market interest rates. Our interest rate risk arises from borrowings. Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. As at 31 July 2014, we had total outstanding borrowings of RMB1,018.9 million, of which RMB408.9 million had variable interest rates. The interest rates and terms of repayment of borrowings are disclosed in Note 17 to the Accountant's Report set out in Appendix I to this prospectus. As at 31 December 2011, 2012 and 2013 and 30 June 2014, our gearing ratio was 29.5%, 74.8%, 61.7% and 75.1%, respectively. We are of the opinion that our exposure to the risk of changes in fair value interest rates is insignificant. We have not hedged cash flow and fair value interest rate risk.

Credit Risk

The carrying amounts of cash and cash equivalents, restricted cash, trade receivables and deposits, prepayments and other receivables (excluding prepayments) included in Appendix I – "Accountant's Report" in this prospectus represent our maximum exposure to credit risk in relation to our financial assets. The objective of our measures to manage credit risk is to control potential exposure to recoverability problems. As at 31 December 2011, 2012 and 2013 and 30 June 2014, all cash and cash equivalents, including restricted cash, were deposited in major financial institutions in the PRC, which we believe are of high credit quality.

We do not expect any losses from non-performance by these counterparties. To minimise our credit risk, we typically open our retail points within well-known department stores and shopping malls that are operated and managed by developers with a strong credit history and financial condition. Our sales through concessionaire counters in department stores are generally collectible up to 90 days from the invoice date and credit sales through our standalone retail outlet are generally on credit terms up to 30 days. Normally we do not require collateral from trade debtors. We make periodic individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors. Our existing debtors have no significant defaults in the past. Our experience in collection of trade and other receivables falls within the recorded allowances. In respect of customers with a poor credit history, we use written payment reminders to ensure our overall credit risk is limited to a controllable extent. We also make deposits (current and non-current) for rental of certain of our retail points with the relevant landlords. We do not expect any loss arising from non-performance by these counterparties. Our Directors are of the opinion that no additional allowance is required.

Liquidity Risk

Our objective is to maintain sufficient cash and sources of funding through committed credit facilities and to maintain flexibility in funding by maintaining committed credit lines. During the Track Record Period, we experienced a decline in working capital and fluctuations in net operating cash flow. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the current ratio of our Group was 1.2, 1.0, 1.1 and 1.2, respectively, and the quick ratio of our Group was 0.7, 0.6, 0.6 and 0.7, respectively. These changes were largely attributable to the rapid expansion of our retail network, with a significant increase in the number of our retail points during the Track Record Period. In May 2013, we received cash of RMB300.0 million in relation to the equity contribution of Beijing Goldman Sachs, which increased our current ratio and quick ratio to 1.12 and 0.63, respectively, as at 31 December 2013. To manage liquidity risk, our management regularly monitors current and expected liquidity requirements to ensure we maintain sufficient cash and cash equivalents and have available funding through adequate amount of committed credit facilities. We expect to fund our future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions and the proceeds of the Global Offering.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. Our Board will propose dividends, if any, in Renminbi with respect to our H Shares on a per share basis. We will pay such dividends in Hong Kong dollars. Under the PRC Company Law and our Articles of Association, all of our Shareholders have equal rights to dividends and distributions. Holders of our H Shares will share proportionately on a per share basis in all dividends and other distributions.

According to the PRC Company Law and our Articles of Association, we may pay dividends out of our after-tax profits only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit, as determined under PRC GAAP; and
- allocations, if any, to a discretionary common reserve fund that are approved by the shareholders in a shareholders' meeting.

The minimum allocations to the statutory funds are 10% of after-tax profit, as determined under the PRC Company Law. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, we will no longer be required to make allowances for allocation to the statutory surplus reserve fund.

Under PRC laws, dividends may be paid only out of distributable profits, which are our retained earnings, as determined in accordance with PRC accounting rules and regulations and IFRS, whichever is lower, less allocations to the statutory and discretionary common reserve fund. We will not ordinarily pay any dividends in a year in which we do not have any distributable profits. In FY2011, FY2012, FY2013, 1HFY2013 and 1HFY2014, we declared cash dividends of nil, RMB61.5 million, RMB25.0 million, nil and RMB142.2 million, respectively. As at the Latest Practicable Date, our dividends declared had been fully paid.

Any proposed distribution of dividends shall be formulated by our Board and will be approved by our Shareholders. A decision to declare or to pay any dividends in the future, and the amount of any dividends, depends on a number of factors, such as our results of operations and cash flows, our Shareholders' interests, general business conditions and strategies, contractual restrictions on declaring dividends, taxation considerations and statutory and regulatory restrictions.

Subject to the factors discussed above, we may distribute dividend in cash or in stocks for the year ending 31 December 2014. If in cash, the dividend will be no less than 20.0% of the distributable profits attributable to shareholders of our Company for the financial year. The specific plan of dividend distribution will be determined at the general meeting of our Shareholders based on our actual operating results. There is no assurance that we will be able to declare dividends of such an amount or any amount each year or in any year.

DISTRIBUTABLE RESERVES

According to our Articles of Association, our distributable reserves, which are the retained earnings of our Company, are the lower of the amount determined in accordance with the generally accepted accounting principles in the PRC and IFRS. As at 30 June 2014, our distributable reserves amounted to approximately RMB172.6 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II – "Unaudited Pro Forma Financial Information" for details.

LISTING EXPENSES

Listing expenses represented the fees payable to professional parties relating to the Global Offering, which primarily included the underwriting commissions, the sponsor's costs, legal costs, reporting accountant's costs, other professional advisers' costs and marketing costs.

We account for listing expenses in accordance with "International Accounting Standard 32 – Financial Instruments: Presentation", under which, costs directly attributable to the issuance of new shares were accounted for as a deduction from equity, and the remaining costs were recognised as administrative expenses in the consolidated statements of comprehensive income. The underwriting commissions are incremental costs directly attributable to the issuance of new shares and were treated as a deduction from equity upon Listing. Marketing costs primarily related to the marketing of our Company and therefore are expensed through profit or loss as incurred. The sponsor's costs, legal costs, reporting accountant's costs and other professional advisers' costs were allocated between equity and expense given the listing document was a dual purpose document which covered both the offering of new shares and the listing of existing shares. To allocate these expenses, we apply a ratio between the H Shares expected to be issued under the Global Offering and the Foreign Shares expected to be converted into H Shares and listed on the Stock Exchange upon the completion of the Global Offering.

We incurred listing expenses (excluding the underwriting commission) of RMB25.0 million during the Track Record Period and expect to incur approximately RMB8.5 million prior to completion of the Global Offering, of which approximately RMB4.8 million will be recognised in the consolidated statements of comprehensive income for the six months ending December 31, 2014 and approximately RMB3.7 million will be deducted from equity directly.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 30 June 2014 (being the date to which our Company's latest consolidated audited financial results were prepared) and there is no event since 30 June 2014 which would materially affect the information shown in Appendix I – "Accountant's Report".

SENSITIVITY ANALYSIS

Given the fact that we adopt a direct sales model and that we may incur additional borrowings in the future, fluctuations in rental and maintenance fees, employee benefit expenses and interest expenses may have material impacts on our results of operations. We have set out below the results of a sensitivity analysis of the impact of changes in these expenses on consolidated net profit attributable to the equity shareholders of our Group.

The following table shows the changes in our net profit had our rental and maintenance fees fluctuated by 5% and 10% during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB thousand	RMB thousand	RMB thousand	RMB thousand	RMB thousand
Net Profit					
– 10% Higher	112,843	236,977	372,227	150,407	207,832
– 5% Higher	117,905	248,266	392,800	159,728	219,218
– Before changes	**122,967**	**259,555**	**413,373**	**169,049**	**230,605**
– 5% Lower	128,029	270,844	433,946	178,370	241,992
– 10% Lower	133,091	282,133	454,519	187,691	253,378

The following table shows the changes in our net profit had our employee benefit expenses fluctuated by 5% and 10% during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB thousand	RMB thousand	RMB thousand	RMB thousand	RMB thousand
Net Profit					
– 10% Higher	97,889	202,311	317,046	123,651	172,104
– 5% Higher	110,428	230,933	365,210	146,350	201,355
– Before changes	**122,967**	**259,555**	**413,373**	**169,049**	**230,605**
– 5% Lower	135,506	288,177	461,536	191,748	259,855
– 10% Lower	148,045	316,799	509,700	214,447	289,106

The following table shows the changes in our net profit had our interest expenses fluctuated by 5% and 10% during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB thousand	RMB thousand	RMB thousand	RMB thousand	RMB thousand
Net Profit					
– 10% Higher	122,831	259,139	411,991	167,737	230,351
– 5% Higher	122,899	259,347	412,682	168,393	230,478
– Before changes	**122,967**	**259,555**	**413,373**	**169,049**	**230,605**
– 5% Lower	123,035	259,763	414,064	169,705	230,732
– 10% Lower	123,103	259,971	414,755	170,361	230,859

FUTURE PLANS

Please refer to "Business – Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,855.2 million (assuming the Over-allotment Option is not exercised and an Offer Price of HK$16.09 per H Share, being the mid-point of the indicative Offer Price range stated in this prospectus), after deducting the underwriting fees and commissions (assuming the full payment of the discretionary incentive fee) and estimated expenses payable by the Company for the Global Offering.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

(a) approximately 83.0% of the net proceeds will be used in relation to the strategic expansion of our retail network, including the opening of no fewer than 1,000 retail points over the next three years, within the 31 provinces, autonomous regions and municipalities in the PRC, including Shanghai, Beijing, Sichuan, Shandong, Guangdong and Zhejiang. The following table sets out a detailed breakdown on how we estimate such net proceeds will be applied in relation to the strategic expansion of our sales network:

Use	Percentage
Decoration, furniture and fixtures and others relating to the new retail points	51%
Purchase of land and property, which we have yet to identify	24%
Purchase of Inventory for new retail points	8%
Total	**83.0%**

(b) approximately 6.0% of the net proceeds will be used for the further improvement of our management information system over the next two years, including the upgrading and optimisation of our existing ERP system, the establishment of data centre and data backup centre, the installation of a logistic centre facility – warehouse management system (WMS), a product life-cycle management system (PLM), a supply chain synergy management system and a corporate business platform, in order to further increase our capability to manage our POS, our internal operation capability and our capability to manage suppliers;

(c) approximately 1.0% of the net proceeds will be used for the development of our management school in Shanghai over the next 12 months. Our Company has leased a property from a third party, which will be renovated and used to operate as our management school for the provision of management training to our management and other staff; and

(d) the remaining amount, being approximately 10.0% of the net proceeds, will be used for our working capital and general corporate purposes, including the cost of purchasing inventories, warehousing and logistics.

In the event that the Offer Price is set at HK$13.98 per H Share (being the low end of the indicative Offer Price range stated in this prospectus) and the Over-allotment Option is not exercised, the net proceeds we will receive will be reduced to approximately HK$1,606.4 million. In the event that the Offer Price is set at HK$18.20 per H Share (being the high end of the indicative Offer Price range stated in this prospectus) and the Over-allotment Option is not exercised, the net proceeds we will receive will be increased to approximately HK$2,104.1 million.

In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK$16.09 per H Share (being the mid-point of the indicative Offer Price range stated in this prospectus), we estimate that we will receive net proceeds from the Global Offering of approximately HK$2,139.9 million, after deducting the underwriting fees and commissions (assuming the full payment of the discretionary incentive fee) and estimated expenses payable by the Company for the Global Offering.

To the extent that the net proceeds of the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds of the Global Offering are not immediately applied for the above purposes, we presently intend to deposit the net proceeds on short-term deposits with licensed financial institutions in Hong Kong or the PRC.

As at the date of this prospectus, our registered share capital is RMB364,736,842, divided into 258,674,800 Domestic Shares, 19,437,042 Unlisted Foreign Shares and 86,625,000 Foreign Shares (which will be converted into H Shares upon the completion of the Global Offering).

Assuming the Over-allotment Option is not exercised, our share capital immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
258,674,800	Domestic Shares(1)	53.19%
19,437,042	Unlisted Foreign Shares(2)	4.00%
86,625,000	H Shares converted from Foreign Shares(3)	17.81%
121,579,000	H Shares issued under the Global Offering	25.00%
486,315,842		100%

Notes:

(1) As at the date of this prospectus, these Domestic Shares are held by Mr. Xing Jiaxing, Shanghai Hexia, Boxin First Phase, Shanghai Ronggao, Beijing Goldman Sachs, Asia Alternatives Q Fund, Mr. Yu Tiecheng (俞鐵成) and Mr. Zhang Jiangmin (張江敏). These Domestic Shares will not be converted into H Shares, and therefore will not be listed on the Stock Exchange, upon the completion of the Global Offering. However, these Domestic Shares may be converted into H Shares in the future. Please refer to "– Conversion of Our Unlisted Shares into H Shares" for further details.

(2) As at the date of this prospectus, these Unlisted Foreign Shares are held by Boxin China. These Unlisted Foreign Shares will not be converted into H Shares, and therefore will not be listed on the Stock Exchange, upon the completion of the Global Offering. However, these Unlisted Foreign Shares may be converted into H Shares in the future. Please refer to "– Conversion of Our Unlisted Shares into H Shares" for further details. Grandall Law Firm (Shanghai), our legal adviser as to PRC laws, has advised us that the Unlisted Foreign Shares and the Domestic Shares are a single class of Shares and the holders of the Unlisted Foreign Shares and the holders of the Domestic Shares are a single class of Shareholders (particularly in respect of their rights to attend and vote at general meetings and class meetings and to receive notice of general meetings and class meetings).

(3) As at the date of this prospectus, these Foreign Shares are held by Good Factor. These Foreign Shares will be converted into H Shares, which will be listed on the Stock Exchange, upon the completion of the Global Offering. The conversion of these Foreign Shares into H Shares is subject to the approval by the CSRC. Grandall Law Firm (Shanghai), our legal adviser as to PRC laws, has advised us that such approval has been obtained from the CSRC.

Assuming the Over-allotment Option is exercised in full, our share capital immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
258,674,800	Domestic Shares(1)	51.27%
19,437,042	Unlisted Foreign Shares(2)	3.85%
86,625,000	H Shares converted from Foreign Shares(3)	17.17%
139,815,800	H Shares issued under the Global Offering	27.71%
504,552,642		100%

Notes:

(1) As at the date of this prospectus, these Domestic Shares are held by Mr. Xing Jiaxing, Shanghai Hexia, Boxin First Phase, Shanghai Ronggao, Beijing Goldman Sachs, Asia Alternatives Q Fund, Mr. Yu Tiecheng (俞鐵成) and Mr. Zhang Jiangmin (張江敏). These Domestic Shares will not be converted into H Shares, and therefore will not be listed on the Stock Exchange, upon the completion of the Global Offering. However, these Domestic Shares may be converted into H Shares in the future. Please refer to "– Conversion of Our Unlisted Shares into H Shares" for further details.

(2) As at the date of this prospectus, these Unlisted Foreign Shares are held by Boxin China. These Unlisted Foreign Shares will not be converted into H Shares, and therefore will not be listed on the Stock Exchange, upon the completion of the Global Offering. However, these Unlisted Foreign Shares may be converted into H Shares in the future. Please refer to "– Conversion of Our Unlisted Shares into H Shares" for further details. Grandall Law Firm (Shanghai), our legal adviser as to PRC laws, has advised us that the Unlisted Foreign Shares and the Domestic Shares are a single class of Shares and the holders of the Unlisted Foreign Shares and the holders of the Domestic Shares are a single class of Shareholders (particularly in respect of their rights to attend and vote at general meetings and class meetings and to receive notice of general meetings and class meetings).

(3) As at the date of this prospectus, these Foreign Shares are held by Good Factor. These Foreign Shares will be converted into H Shares, which will be listed on the Stock Exchange, upon the completion of the Global Offering. The conversion of these Foreign Shares into H Shares is subject to the approval by the CSRC. Grandall Law Firm (Shanghai), our legal adviser as to PRC laws, has advised us that such approval has been obtained from the CSRC.

OUR SHARES

Domestic Shares, Unlisted Foreign Shares and H Shares are all ordinary shares in the share capital of our Company. Grandall Law Firm (Shanghai), our legal adviser as to PRC laws, has advised us that the Unlisted Foreign Shares and the Domestic Shares are a single class of Shares and the holders of the Unlisted Foreign Shares and the holders of the Domestic Shares are a single class of Shareholders (particularly in respect of their rights to attend and vote at general meetings and class meetings and to receive notice of general meetings and class meetings). H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and transferred in Renminbi. Apart from certain qualified domestic institutional investors in the PRC, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and transferred between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in Renminbi.

As at the date of this prospectus, our Promoters (other than Good Factor) and Good Factor hold Domestic Shares and Foreign Shares, respectively, as "promoter shares". The Foreign Shares held by Good Factor will be converted into H Shares, which will be listed on the Stock Exchange, upon the completion of the Global Offering. The conversion of these Foreign Shares into H Shares is subject to the approval by the CSRC. Grandall Law Firm (Shanghai), our legal adviser as to PRC laws, has advised us that such approval has been obtained from the CSRC.

Under the PRC Company Law, "promoter shares" may not be sold within a period of one year from 23 May 2011, on which we were organised as a joint stock limited liability company. This lock-up period expired on 22 May 2012. The PRC Company Law further provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing on any stock exchange.

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents (which are all provided for in the Articles of Association and summarised in Appendix V to this prospectus), Domestic Shares, Unlisted Foreign Shares and H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus (except that dividends on Domestic Shares, Unlisted Foreign Shares and H Shares shall be paid in Renminbi, currencies other than Renminbi and Hong Kong dollars, respectively). However, the transfer of Domestic Shares and Unlisted Foreign Shares is subject to such restrictions as PRC laws may impose from time to time.

Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. We have not approved any share issue plan other than the Global Offering.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Conversion of Unlisted Shares

Upon the completion of the Global Offering, we will have two classes of ordinary shares, H Shares as one class of Shares and Domestic Shares and Unlisted Foreign Shares collectively as another class of Shares. As at the date of this prospectus, the Domestic Shares and the Unlisted Foreign Shares are unlisted Shares which are not listed or traded on any stock exchange. The Domestic Shares and the Unlisted Foreign Shares will not be converted into H Shares, and therefore will not be listed on the Stock Exchange, upon the completion of the Global Offering. The terms "unlisted Shares" and "Unlisted Foreign Shares" are used to describe whether certain Shares are listed on a stock exchange and are not specific definitions under PRC laws. Given the above, Grandall Law Firm (Shanghai), our legal adviser as to PRC laws, has advised us that the use of the terms "unlisted Shares" and "Unlisted Foreign Shares" in the Articles of Association does not contravene, and is not inconsistent with, any PRC law or regulation (including the Special Regulations and Mandatory Provisions).

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted H Shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required for the listing of such converted H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and Procedure for Conversion

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Share register and/or the Unlisted Foreign Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) the H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The PRC Company Law provides that in relation to the initial public offering of a company, the shares issued by a company prior to the initial public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 business days upon listing.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

1. Property Valuation

As at 30 June 2014, each of our properties had a carrying amount of less than 15% of our consolidated total assets. As a result, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report on our property interests. Also, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings.

2. Management Presence

According to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since we have our headquarters and business operations in the PRC, we do not, and in the foreseeable future will not, have sufficient management presence in Hong Kong in strict compliance with the normal requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Currently, none of our executive Directors is a Hong Kong resident. Mr. Xing Jiaxing, Mr. Wang Yong, Mr. Hu Gang are all PRC residents and have to spend most of their time in the PRC managing the conduct of our Group's business.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules.

Our Company has made arrangements to maintain regular and effective communication between the Stock Exchange and us as follows:

- Our Company will appoint REORIENT Financial Markets Limited as our Company's compliance adviser pursuant to Rule 3A.19 of the Listing Rules. As the authorised representatives are expected to be frequently outside of Hong Kong, the compliance adviser will act as the principal channel of communication with the Stock Exchange in accordance with Rule 19A.06(4) of the Listing Rules for the period commencing on the Listing Date until 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. The compliance adviser will have access at all times to the authorised representatives, directors and other officers of the Company in accordance with Rule 19A.05(2) of the Listing Rules.

- The compliance adviser will also provide the Stock Exchange with the names, home and office telephone numbers, mobile phone numbers, fax numbers and email address of one of its officers and an alternate who will be fully available to answer enquiries from the Stock Exchange and will also be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange.

- Our Company has appointed Mr. Mao Jian, one of our Joint Company Secretaries, and Mr. Wang Yong, an executive Director, as the authorised representatives in compliance with Rule 3.05 of the Listing Rules, who will act as our Company's additional channel of communication with the Stock Exchange (in addition to the compliance adviser). The authorised representatives will be readily contactable by telephone, email and/or facsimile and are able to deal promptly with any enquiries which may be raised by the Stock Exchange. The authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange.

- The compliance adviser and the authorised representatives will have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters.

- Each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period.

- Each Director will provide his or her respective office phone numbers, mobile phone numbers, home phone numbers, facsimile numbers and e-mail addresses, as applicable, to the Stock Exchange.

3. Company Secretary

According to Rules 3.28 and 8.17 of the Listing Rules, the issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary, and the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a Member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing "relevant experience", the Stock Exchange will consider the individual's:

(d) length of employment with the issuer and other issuers and the roles he played;

(e) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(f) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29; and

(g) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Mao Jian and Ms. Wong Wai Ling as joint company secretaries.

Mr. Mao Jian joined our Company in November 2009, and was appointed as the secretary to the Board in November 2011. As the secretary to the Board, Mr. Mao Jian has day-to-day knowledge of our Company's affairs and ensures the flow of information within the Board and that Board policy and procedures are followed within our Company. Mr. Mao Jian is also responsible for liaising with the PRC government and regulatory authorities in relation to the licenses, permits and certificates relevant to the conduct of our Group's business in the PRC, managing and organising meetings of the

Shareholders, the Board and the Supervisory Committee of our Company, overseeing all matters relating to our Company's plans for the Listing and being involved in discussions relating to our Company's other investment and financing activities. Mr. Mao Jian however does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules and accordingly our Company has made the following arrangements:

(a) Our Company has appointed Ms. Wong Wai Ling to assist Mr. Mao Jian in acquiring the "relevant experience" (required under Rule 3.28 of the Listing Rules) in order for Mr. Mao Jian to discharge his functions as company secretary.

(b) Ms. Wong Wai Ling will communicate regularly and work closely with, and provide assistance to, Mr. Mao Jian in the discharge of his duties as a company secretary for an initial period of three years from the Listing Date.

(c) Ms. Wong Wai Ling will also be assisted by the compliance adviser, particularly in relation to corporate governance practices and ongoing compliance with the Listing Rules and the applicable laws and regulations.

(d) Both Mr. Mao Jian and Ms. Wong Wai Ling will complete the professional training requirements set out under Rule 3.29 of the Listing Rules.

(e) At the end of the three year period, an evaluation of the qualifications and experience of Mr. Mao Jian would be made. The expectation is that Mr. Mao Jian would then endeavour to demonstrate to the Stock Exchange's satisfaction that he, having had the benefit of Ms. Wong Wai Ling's assistance for three years, would then have acquired the "relevant experience" within the meaning of Rule 3.28 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date and it will be revoked immediately when Ms. Wong Wai Ling, during the three-year period, ceases to provide assistance to Mr. Mao Jian. At the end of the three year period, our Company has to liaise with the Stock Exchange. The Stock Exchange will revisit the situation in the expectation that our Company should then be able to demonstrate to the Stock Exchange's satisfaction that Mr. Mao Jian, having had the benefit of Ms. Wong Wai Ling's assistance for three years, would have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further wavier would not be necessary.

THE CORNERSTONE PLACING

We have entered into cornerstone investor agreements with the following investors (the "Cornerstone Investors" and each a "Cornerstone Investor") pursuant to which the Cornerstone Investors have respectively agreed to subscribe at the Offer Price for such number of Offer Shares that may be subscribed with US$50 million in aggregate (approximately HK$387.5 million) (rounded down to the nearest whole board lot) (the "Cornerstone Placing"). Assuming an Offer Price of HK$13.98 (being the low-end of the Offer Price range shown in this prospectus), the total number of Offer Shares to be subscribed or purchased for by the Cornerstone Investors would be 27,719,600, representing approximately (i) 5.7% of the Shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 5.5% of the Shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option. Assuming an Offer Price of HK$16.09 (being the mid-point of the Offer Price range shown in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 24,084,600, representing approximately (i) 5.0% of the Shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 4.8% of the Shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option. Assuming an Offer Price of HK$18.20 (being the high end of the Offer Price range shown in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 21,292,400, representing approximately (i) 4.4% of the Shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 4.2% of the Shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party and not an existing shareholder of the Company. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around 8 October 2014.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investor agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in "Structure of the Global Offering – The Hong Kong Public Offering".

Cornerstone Investors

We have entered into a cornerstone investor agreement with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

1. Chow Tai Fook Nominee Limited

Chow Tai Fook Nominee Limited ("CTF") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$20 million (approximately HK$155.0 million) at the Offer Price. Assuming the Offer Price is fixed at HK$13.98, being the low-end of the Offer Price range shown in this prospectus, CTF will subscribe for approximately 11,087,800 Offer Shares representing approximately (i) 2.3% of the Shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 2.2% of the Shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option. Assuming the Offer Price is fixed at HK$16.09, being the mid-point of the Offer Price range shown in this prospectus, CTF will subscribe for approximately 9,633,800 Offer Shares, representing approximately (i) 2.0% of the Shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 1.9% of the Shares it issue upon the completion of the Global Offering, assuming the full exercise of the Over-allotment Option. Assuming the Offer Price is fixed at HK$18.20, being the high-end of the Offer Price range shown in this prospectus, CTF will subscribe for approximately 8,517,000 Offer Shares, representing approximately (i) 1.8% of the Shares in issue and outstanding upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 1.7% of the Shares in issue upon the completion of the Global Offering, assuming the full exercise of the Over-allotment Option.

CTF is a company incorporated in Hong Kong, which is wholly owned and controlled by Dato' Dr. Cheng Yu Tung. CTF's principal activities include investment holdings.

2. Senda International Capital Limited (盛達國際資本有限公司)

Senda International Capital Limited ("Senda") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$30 million (approximately HK$232.5 million) at the Offer Price. Assuming the Offer Price is fixed at HK$13.98, being the low-end of the Offer Price range shown in this prospectus, Senda will subscribe for approximately 16,631,800 Offer Shares representing approximately (i) 3.4% of the Shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 3.3% of the Shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option. Assuming the Offer Price is fixed at HK$16.09, being the mid-point of the Offer Price range shown in this prospectus, Senda will subscribe for approximately 14,450,800 Offer Shares, representing approximately (i) 3.0% of the Shares in issue and outstanding upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 2.9% of the Shares in issue upon the completion of the Global Offering, assuming the full exercise of the Over-allotment Option. Assuming the Offer Price is fixed at HK$18.20, being the high-end of the Offer Price range shown in this prospectus, Senda will subscribe for approximately 12,775,400 Offer Shares, representing approximately (i) 2.6% of the Shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 2.5% of the Shares in issue upon the completion of the Global Offering, assuming the full exercise of the Over-allotment Option.

Senda, a company incorporated in Hong Kong, is a wholly-owned subsidiary of Zhejiang Longsheng Group Co., Ltd. ("Zhejiang Longsheng"). It has a controlling stake in DyStar Global Holdings (Singapore) Pte. Ltd. ("Dystar"), a coloration specialist in the textile and leather industry. DyStar offers customers a complete range of dyes and auxiliaries as well as state-of-the-art colour communication and textile testing services. Zhejiang Longsheng is a company incorporated in China and is listed on the Shanghai Stock Exchange. It owns more than 30 dyestuff sales outlets, and serves about 7,000 customers. It has sales and technical support covering all key dyestuff markets in 50 countries and regions, and 18 factories in 12 countries.

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent: (i) the Hong Kong Underwriting Agreement and the International Purchase Agreement having been entered into and having become unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto) and not having been terminated; (ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the H Shares and that such approval or permission has not been revoked; and (iii) no laws having been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated in the Global Offering and there being no orders or injunctions from a court of competent jurisdiction in effect preceding or prohibiting consummation of such transactions.

Restrictions on the Cornerstone Investors' Investment

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and CICC, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investor agreement) any of the H Shares or any interest in any company or entity holding any of the relevant H Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that, among others, such wholly owned subsidiary undertakes to, and the Cornerstone Investor undertakes to procure that such subsidiary will, abide by the terms and restrictions imposed on the relevant Cornerstone Investor.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
CITIC Securities Corporate Finance (HK) Limited ("CSCF")
Jefferies Hong Kong Limited
Haitong International Securities Company Limited
VMS Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offering, our Company is initially offering 12,158,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

(a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and

(b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, and the Application Form. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Purchase Agreement having been signed, becoming unconditional and not having been terminated.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if at any time prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) a contravention by any member of our Group or any executive Directors or Supervisors of the Listing Rules or applicable laws; or

(ii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the H Shares (including the Shares to be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or

(iii) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(iv) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Australia, Malaysia, Hong Kong, the PRC, the United Kingdom, the United States, or the European Union (or any member thereof) (each a "Relevant Jurisdiction"); or

(v) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdiction; or

(vi) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally (including the Shares) on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Singapore Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(vii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or indebtedness in respect of which any member of our Group is liable, in either case, prior to its stated maturity; or

(viii) any general moratorium on commercial banking activities in any Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(ix) any new law (as defined in the Hong Kong Underwriting Agreement), or any change or any development involving a prospective change or any event or circumstance likely to result in a change in (or in the interpretation or application by any court or other competent authority (as defined in the Hong Kong Underwriting Agreement)) existing laws, in each case, in or affecting any Relevant Jurisdiction; or

(x) the imposition of economic sanctions, or the withdrawal of the trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(xi) a change or development involving a prospective change in or affecting taxation (as defined in the Hong Kong Underwriting Agreement) or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollars or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(xii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(xiii) a Director or a Supervisor being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xiv) the chairman or chief executive officer or any of the executive Directors or Supervisors of our Company vacating his or her office; or

(xv) an authority or a political body or organisation in any Relevant Jurisdiction commencing announcing an intention to investigate or commencing any investigation or take other action, against any Director or Supervisor; or

(xvi) the issue or requirement to issue by our Company of any supplement or amendment to the this prospectus (or to any other documents used in connection with the contemplated offer and sale of the H Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which in the sole opinion of the Joint Global Coordinators and CSCF,

(A) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenues, profits, losses, results of operations, position or condition, financial or otherwise, or performance of 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 applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Shares in the secondary market; or

(C) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators and CSCF:

(i) that any statement contained in this prospectus, the Application Forms, the formal notice or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in this prospectus, the Application Forms or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission of a material fact from this prospectus, the Application Forms and in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Purchase Agreement (other than upon any of the Sole Sponsor, Joint Global Coordinators, Joint Bookrunners, Hong Kong Underwriters or the International Purchasers); or

(iv) any event, act or omission which gives or is likely to give rise to any liability pursuant to the indemnification provisions under the Hong Kong Underwriting Agreement; or

(v) any adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenues, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties stated in the Hong Kong Underwriting Agreement; or

(vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) the Company withdraws this prospectus, the Application Forms or any other documents issued or used in connection with the Global Offering; or

(ix) any person withdraws its consent to being named in this prospectus or the Application Forms or to the issue of this prospectus or the Application Forms in which it is named.

Lock-up Undertakings

Undertakings to the Stock Exchange Pursuant to the Listing Rules

1. Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further H Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by our Company, or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of H Shares or securities will be completed within six months from the commencement of dealing) except the Offer Shares to be issued pursuant to the Global Offering or the Over-allotment Option, or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

2. Undertakings by our Controlling Shareholders

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to the Global Offering, he/it shall not and shall procure that the relevant registered holder shall not:

(a) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this Prospectus 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, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he/it is shown by this Prospectus to be the beneficial owner; or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his/its shareholding is made in this Prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(a) when he/it pledges or charges any Shares or other securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and

(b) when he/it receives any indications, either verbal or written, from any such pledgee or chargee of Shares or other securities pledged or charged that such Shares or securities of our Company will be disposed of, immediately inform us of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published as required under the Listing Rules.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

By us

We have undertaken to the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "First Six-Month Period"), not to, and to procure each other member of the Group not to, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules and only after the consent of any relevant PRC authority (if so required) has been obtained:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, or any interest in any of the foregoing) or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or other securities of our Company, or any interest in any of the foregoing or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period).

In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the "Second Six-Month Period"), we enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, we shall take all reasonable steps to ensure that it will not create a disorderly or false market in our securities.

By Mr. Xing Jiaxing and Shanghai Hexia

Each of Mr. Xing Jiaxing and Shanghai Hexia further undertakes to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained), it will not, at any time during the First Six-Month Period,

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any interest in any of the foregoing), or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

Each of Mr. Xing Jiaxing and Shanghai Hexia further undertakes to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained), it will not, until the expiry of the Second Six-Month period, in the event that it enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Each of Mr. Xing Jiaxing and Shanghai Hexia further undertakes to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained), it will not, during the Second Six-Month Period, enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company.

Hong Kong Underwriters' interests in our Company

As at the Latest Practicable Date, none of the Hong Kong Underwriters is interested directly or indirectly in any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in our Company or any other member of our Group.

International Offering

International Purchase Agreement

In connection with the International Offering, we expect to enter into the International Purchase Agreement with, among others, the International Purchasers. Under the International Purchase Agreement, the International Purchasers would, subject to certain conditions, severally agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering. Please refer to the section entitled "Structure of the Global Offering – The International Offering" in this prospectus for further details.

Under the International Purchase Agreement, we intend to grant to the Joint Global Coordinators and the International Purchasers the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Joint Global Coordinators on behalf of themselves and the International Purchasers from the date of the International Purchase Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue up to an aggregate of 18,236,800 additional H Shares, representing 15.0% of the number of Offer Shares initially available under the Global Offering at the Offer Price to, among others, cover over-allocations in the International Offering, if any.

Total commission and expenses and the sponsor's fee

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, if any, the International Purchasers will be paid an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Purchasers, but not the Hong Kong Underwriters. In addition, we may, in our sole discretion, pay the Joint Global Coordinators an additional incentive fee of up to 0.5% of the total Offer Price of the Offer Shares from the Global Offering (including any proceeds pursuant to the exercise of the Over-allotment Option). Additionally, the sponsor's fees payable by our Company to the Sole Sponsor are U.S.$400,000 in aggregate.

The aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK$101.0 million (assuming no exercise of the Over-allotment Option and an Offer Price of HK$16.09 per H Share, being the mid-point of the stated range of the Offer Price between HK$13.98 and HK$18.20 per H Share).

We have agreed to indemnify the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 9 October 2014, it is expected that dealings in the H Shares on the Stock Exchange will commence on 9 October 2014. The H Shares will be traded on the Main Board of the Stock Exchange in board lots size of 200 H Shares each.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(a) the Hong Kong Public Offering of 12,158,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described below under "– The Hong Kong Public Offering"; and

(b) the International Offering of an aggregate of 109,421,000 H Shares by us (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A.

Investors may apply for our H Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our H Shares under the International Offering, but may not do both.

The requisite PRC governmental approvals, including the approval of the CSRC, in respect of the Global Offering have been obtained.

The number of H Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in "– The Hong Kong Public Offering – Reallocation".

PRICING AND ALLOCATION

Offer Price Range

The Offer Price will be not more than HK$18.20 per H Share and is expected to be not less than HK$13.98 per H Share, unless otherwise announced no 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.**

Price Payable on Application

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$18.20 for each Hong Kong Offer Share (plus the brokerage fee, SFC transaction levy and Stock Exchange trading fee). If the Offer Price is less than HK$13.98, appropriate refund payments (including the brokerage fee, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants. Please refer to "How to Apply for Hong Kong Offer Shares – Refund of Application Monies".

Determining the Offer Price

The International Purchasers and the Joint Global Coordinators are soliciting from prospective investors indications of interest in acquiring our H Shares in the International Offering. Prospective investors will be required to specify the number of H 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, but to cease on or around, the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and 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 29 September 2014 and in any event, no later than 8 October 2014.

If, for any reason, we and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 8 October 2014, the Global Offering will not proceed and will lapse.

Reduction in Offer Price Range and/or Number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters and with our consent) consider it appropriate, the indicative Offer Price range and/or the number of Offer Shares 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 any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.lachapelle.cn** notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in "Summary" in this prospectus and any other financial information which may change as a result of such reduction. Upon issue of such a notice, the number of Offer Shares and/or the revised Offer Price range will be final and conclusive. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. **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 and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.**

In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus. If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Allocation

Allocation of our H Shares pursuant to the International Offering will be determined by the Joint Global Coordinators 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 expects that the relevant investor is likely to buy further, and/or hold or sell H Shares after the listing of our H Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our H Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of H Shares to investors under the Hong Kong Public Offering will be based solely on the level of applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares applied for by applicants. 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.

Announcement of Offer Price and Basis of Allocations

The Offer Price is expected to be announced on 8 October 2014, and the 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 8 October 2014, in both cases in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

We are initially offering 12,158,000 H Shares at the Offer Price, representing approximately 10.0% of the 121,579,000 H 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 H Shares initially offered under the Hong Kong Public Offering will represent approximately 25.0% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will initially be divided into two pools for allocation purposes as follows:

- Pool A: The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or less; and

- Pool B: The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of more than HK$5 million and up to the value of 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 under-subscribed, 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 6,079,000 Hong Kong Offer Shares will be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering when certain prescribed total demand levels are reached.

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment under the Listing Rules. If the number of Offer Shares validly applied for under the Hong Kong Public Offering 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 Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 36,474,000, 48,631,600 and 60,789,600 Offer Shares, respectively, representing approximately 30% (in the case of (a)), 40% (in the case of (b)) and 50% (in the case of (c)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be allocated to pool A and pool B.

The Offer 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 Joint Global Coordinators.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK$18.20 per H Share plus brokerage, SFC transaction levy and Stock Exchange trading fee.

THE INTERNATIONAL OFFERING

Number of H Shares Offered

The number of H Shares to be initially offered for subscription or sale under the International Offering will consist of 109,421,000 H Shares (subject to adjustment and the Over-allotment Option) representing approximately 90.00% of the Offer Shares under the Global Offering and approximately 22.50% of our total issued share capital immediately after the Global Offering assuming that the Over-allotment Option is not exercised. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

Under the International Offering, the International Purchasers and the Joint Global Coordinators will conditionally place our Offer Shares to QIBs in the United States in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of International Offer Shares under the International Offering will be effected in accordance with the book-building and 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 Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of our Company and our shareholders as a whole.

The Hong Kong Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstance, be reallocated as between those offerings at the discretion of the Joint Global Coordinators.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- the Offer Price having been duly agreed upon between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);
- the execution and delivery of the International Purchase Agreement on or around the Price Determination Date; and
- the obligations of the underwriters under both 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 waived on or before such dates and times) and in any event not later than 9 October 2014.

The consummation of both the Hong Kong Public Offering and the International Offering is conditional upon, among others, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by us on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.lachapelle.cn** on the next business day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies". In the meantime, the application monies will be held in separate accounts with the Receiving Bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance.

Share certificates for the Offer Shares are expected to be issued on 8 October 2014, but will only become valid certificates of title at 8:00 a.m. on 9 October 2014, provided (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" has not been exercised.

OUR FOREIGN SHARES WHICH WILL BE CONVERTED INTO H SHARES UPON THE COMPLETION OF THE GLOBAL OFFERING AND OUR H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable our Foreign Shares which will be converted into H Shares upon the completion of the Global Offering and our H Shares to be admitted into the CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, our Foreign Shares which will be converted into H Shares upon the completion of the Global Offering and our H Shares and our Company complies with the stock admission requirements of HKSCC, our Foreign Shares which will be converted into H Shares upon the completion of the Global Offering and our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date 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.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

OVER-ALLOTMENT AND STABILISATION

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the Joint Global Coordinators and the International Purchasers, exercisable by the Joint Global Coordinators for themselves and on behalf of the International Purchasers.

Pursuant to the Over-allotment Option, the Joint Global Coordinators and the International Purchasers have the right, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Purchasers) within 30 days from the last day for lodging of applications under the Hong Kong Public Offering (the last day for the exercise of the Over-allotment Option being 28 October 2014), to require us to allot and issue up to 18,236,800 additional Offer Shares representing approximately 15% of the initial Offer Shares, at the same price per H Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 27.71% of our enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, CICC, its affiliate(s) or any person acting for it as stabilising manager, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilising Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilising Manager may close out any covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilising Manager will consider, among others, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of our H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong). Stabilising action permitted pursuant to the Securities and Futures (Price Stabilising) Rules includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price, (iii) subscribing, or agreeing to subscribe, for our H 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, our H Shares for the sole purpose of preventing or minimising any reduction in the market price, (v) selling our H Shares to liquidate a long position held as a result of those purchases and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Stabilising actions by the Stabilising Manager, its affiliate(s) or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of our H Shares, the Stabilising Manager, its affiliate(s) or any person acting for it, may maintain a long position in our H Shares. The size of the long position, and the period for which the Stabilising Manager, its affiliate(s) or any person acting for it, will maintain the long position is at the discretion of the Stabilising Manager and is uncertain. In the event that the Stabilising Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our H Shares.

Stabilising action by the Stabilising Manager, its affiliate(s) or any person acting for it is not permitted to support the price of our H Shares for longer than the stabilising period, which begins on the day on which trading of our H Shares commences on the Stock Exchange and ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The stabilising period is expected to end on 28 October 2014. As a result, demand for our H Shares, and their market price, may fall after the end of the stabilising period. These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise might exist in the open market. Any stabilising action taken by the Stabilising Manager, its affiliate(s) or any person acting for it, may not necessarily result in the market price of our H Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of our H Shares by the Stabilising Manager, its affiliate(s) or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for our H Shares by purchasers.

A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 9 October 2014, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on 9 October 2014.

The H Shares will be traded in board lots of 200 H Shares each and the stock code of the H Shares will be 06116.

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 Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date and subject to the other conditions set out in "– Conditions of the Global Offering".

We expect to enter into the International Purchase Agreement relating to the International Offering on or about 29 September 2014, shortly after determination of the Offer Price. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Purchase Agreement are summarised in "Underwriting" in this prospectus.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** Service Provider at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above; or

- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on 24 September 2014 until 12:00 noon on 29 September 2014:

(i) any of the following offices of the Joint Bookrunners:

China International Capital Corporation Hong Kong Securities Limited	– 29/F, One IFC, 1 Harbour View Street, Central, Hong Kong
CLSA Limited	– 18/F, One Pacific Place, 88 Queensway, Hong Kong
Jefferies Hong Kong Limited	– 22/F Cheung Kong Centre, 2 Queen's Road Central, Hong Kong
Haitong International Securities Company Limited	– 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
VMS Securities Limited	– Suite 4112-14 41/F Jardine House, 1 Connaught Place, Central, Hong Kong

(ii) any of the branches of the following receiving banks:

Bank of China (Hong Kong) Limited

	Branch name	Address
Hong Kong Islands	Bank of China Tower Branch	3/F, 1 Garden Road
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
Kowloon	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
New Territories	Tai Po Branch	68-70 Po Heung Street, Tai Po Market
	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long

Hang Seng Bank Limited

	Branch name	Address
Hong Kong Islands	Head Office	83 Des Voeux Road Central
	Wanchai Branch	200 Hennessy Road
	North Point Branch	335 King's Road
Kowloon	Tsimshatsui Branch	18 Carnarvon Road
	Kowloon Main Branch	618 Nathan Road
	Yaumati Branch	363 Nathan Road

Bank of Communications Co., Ltd, Hong Kong Branch

	Branch name	Address
Hong Kong Islands	Central District Sub-Branch	G/F, Far East Consortium Building, 125A Des Voeux Road C., Central
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
Kowloon	Kwun Tong Sub-Branch	Shop A, G/F., Hong Ning Court, 55 Hong Ning Road, Kwun Tong
	Mongkok Sub-Branch	Shops A & B, G/F., Hua Chiao Commercial Centre, 678 Nathan Road
New Territories	Ma On Shan Sub-Branch	Shop No. 3062, Level 3, Sunshine City Plaza, Ma On Shan
	Sha Tsui Road Sub-Branch	122-124 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on 24 September 2014 until 12:00 noon on 29 September 2014 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – La Chapelle Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

24 September 2014 – 9:00 a.m. to 5:00 p.m.
25 September 2014 – 9:00 a.m. to 5:00 p.m.
26 September 2014 – 9:00 a.m. to 5:00 p.m.
27 September 2014 – 9:00 a.m. to 1:00 p.m.
29 September 2014 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on 29 September 2014, the last application day or such later time as described in "– Effect of Bad Weather on the Opening of the Applications Lists".

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** Service Provider, among others, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the H share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO

General

Individuals who meet the criteria in "– Who can apply", may apply through the **White Form eIPO** Service Provider for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** Service Provider are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on 24 September 2014 until 11:30 a.m. on 29 September 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on 29 September 2014 or such later time under "– Effect of Bad Weather on the Opening of the Applications Lists".

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** Service Provider or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of the White Form eIPO is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "SHANGHAI LA CHAPELLE FASHION CO., LTD." White Form eIPO application submitted via www.eipo.com.hk to support the funding of "Source of DongJiang – Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of shareholders as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such

collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance and the Articles of Association;

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders;

- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per H Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 200 Hong Kong Offer Shares. Instructions for more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

24 September 2014 – 9:00 a.m. to 8:30 p.m.[(1)]
25 September 2014 – 8:00 a.m. to 8:30 p.m.[(1)]
26 September 2014 – 8:00 a.m. to 8:30 p.m.[(1)]
27 September 2014 – 8:00 a.m. to 1:00 p.m.[(1)]
29 September 2014 – 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on 24 September 2014 until 12:00 noon on 29 September 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on 29 September 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** Service Provider will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on 29 September 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** Service Provider, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** Service Provider in respect of a minimum of 200 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to "Structure of the Global Offering – Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning, in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 29 September 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on 29 September 2014 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on the Company's website at **www.lachapelle.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.lachapelle.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on 8 October 2014;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m., 8 October 2014 to 12:00, midnight, 14 October 2014;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from 8 October 2014 to 11 October 2014;

- in the special allocation results booklets which will be available for inspection during opening hours from 8 October 2014 to 10 October 2014 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** Service Provider are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$18.20 per H Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on 8 October 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per H Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around 8 October 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m., 9 October 2014 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the H Share Registrar 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 8 October 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on 8 October 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on 8 October 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on 8 October 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS Investor Participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS Investor Participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m., 8 October 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service Provider

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the H Share Registrar 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 8 October 2014, or such other date as notified by the Company in the announcement published by the Company as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on 8 October 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- 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 your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on 8 October 2014, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on 8 October 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m., 29 September 2014 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in

HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on 29 September 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per H Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on 8 October 2014.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to China International Capital Corporation Hong Kong Securities Limited pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

24 September 2014

The Directors
Shanghai La Chapelle Fashion Co., Ltd.

China International Capital Corporation Hong Kong Securities Limited

Dear Sirs,

We report on the financial information (the "Financial Information") of Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司, the "Company") and its subsidiaries (together, the "Group") which comprises the consolidated balance sheets as at 31 December 2011, 2012, 2013 and 30 June 2014, the balance sheets of the Company as at 31 December 2011, 2012, 2013 and 30 June 2014, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. The Financial Information has been prepared by the directors of the Company and is set out in Section I to III below for inclusion in Appendix I to the prospectus of the Company dated 24 September 2014 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was established as a company with limited liability under the name of Shanghai Xuhui La Chapelle Fashion Limited (上海徐匯拉夏貝爾服飾有限公司) in the People's Republic of China (the "PRC") on 14 March 2001 under the Company Law of the PRC. On 23 May 2011, the Company was converted into a joint stock company with limited liability and changed to its current name.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 35 of Section II below. All of these companies are established in the PRC and have substantial the same characteristics as a Hong Kong incorporated private company.

The Company and its subsidiaries have adopted 31 December as their financial year end date. The financial statements of the Company and its subsidiaries were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises incorporated in the PRC. The statutory auditor of the Company for each of the years ended 31 December 2011 and 2012 was BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)), and

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for the year ended 31 December 2013 was Shanghai My Whole Way Certified Public Accountants LP (上海浩威會計師事務所(普通合夥)). Details of the statutory auditors of the subsidiaries are set out in Note 35 of Section II of this report.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs. The Underlying Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) in accordance with International Standards on Auditing (the "ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB") pursuant to separate terms of engagement with the Company.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the Financial Information gives, for the purposes of this report, a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, 2012, 2013 and 30 June 2014, and of the Group's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the six months ended 30 June 2013 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION

The following is the financial information (the "Financial Information") of the Group prepared by the directors of the Company for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 (the "Relevant Periods").

Consolidated Balance Sheets

		As at 31 December			As at 30 June
		2011	2012	2013	2014
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	164,792	441,970	791,493	752,146
Land use rights	7	–	–	15,941	15,779
Intangible assets	8	9,713	26,108	36,319	32,009
Deferred income tax assets	9	27,088	64,576	113,978	120,271
		201,593	532,654	957,731	920,205
Current assets					
Inventories	10	398,082	826,906	1,292,927	1,211,009
Trade receivables	11	333,298	687,588	873,591	717,875
Deposits, prepayments and other receivables	12	66,966	190,616	245,922	236,143
Prepaid current income tax		3,191	6,583	1,370	1,026
Restricted cash	13	–	1,009	486	325
Cash and cash equivalents	13	102,411	108,614	520,550	637,816
		903,948	1,821,316	2,934,846	2,804,194
Total assets		1,105,541	2,353,970	3,892,577	3,724,399
EQUITY					
Equity attributable to owners of the Company					
Share capital	14	210,000	210,000	364,737	364,737
Other reserves	15	29,936	72,058	386,174	389,193
Retained earnings	16	119,979	286,354	506,362	590,450
		359,915	568,412	1,257,273	1,344,380
Non-controlling interests		–	–	6,075	10,345
Total equity		359,915	568,412	1,263,348	1,354,725
LIABILITIES					
Non-current liabilities					
Deferred income	20	1,029	3,641	6,725	16,595
Borrowings	17	–	–	–	30,000
		1,029	3,641	6,725	46,595
Current liabilities					
Deferred income	20	2,024	2,553	8,144	10,601
Trade and bill payables	18	350,686	794,196	915,225	523,440
Other payables, accruals and other current liabilities	19	227,042	475,419	778,908	688,617
Current income tax liabilities		58,845	84,749	140,227	112,821
Borrowings	17	106,000	425,000	780,000	987,600
		744,597	1,781,917	2,622,504	2,323,079
Total liabilities		745,626	1,785,558	2,629,229	2,369,674
Total equity and liabilities		1,105,541	2,353,970	3,892,577	3,724,399
Net current assets		159,351	39,399	312,342	481,115
Total assets less current liabilities		360,944	572,053	1,270,073	1,401,320

Balance Sheets

	Note	As at 31 December 2011 RMB'000	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 June 2014 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	132,187	177,649	218,977	168,953
Intangible assets	8	8,004	24,600	35,012	30,803
Investments in subsidiaries	35	27,750	57,400	143,400	143,400
Deferred income tax assets	9	17,873	22,144	33,823	41,742
		185,814	281,793	431,212	384,898
Current assets					
Inventories	10	370,335	348,771	427,251	421,005
Trade receivables	11	314,834	528,039	789,060	657,291
Deposits, prepayments and other receivables	12	103,877	351,317	915,649	1,438,935
Restricted cash	13	–	1,009	486	325
Cash and cash equivalents	13	79,174	77,143	473,003	539,916
		868,220	1,306,279	2,605,449	3,057,472
Total assets		1,054,034	1,588,072	3,036,661	3,442,370
EQUITY					
Share capital	14	210,000	210,000	364,737	364,737
Other reserves	15	28,967	56,148	336,757	339,776
Retained earnings	16	128,018	220,420	199,460	172,597
Total equity		**366,985**	**486,568**	**900,954**	**877,110**
LIABILITIES					
Non-current liabilities					
Deferred income	20	827	987	882	892
Current liabilities					
Deferred income	20	1,792	2,086	2,873	1,737
Trade and bill payables	18	329,725	399,960	585,231	456,946
Other payables, accruals and other current liabilities	19	195,878	234,509	720,423	1,158,118
Current income tax liabilities		58,827	48,962	46,298	19,967
Borrowings	17	100,000	415,000	780,000	927,600
		686,222	1,100,517	2,134,825	2,564,368
Total liabilities		687,049	1,101,504	2,135,707	2,565,260
Total equity and liabilities		1,054,034	1,588,072	3,036,661	3,442,370
Net current assets		181,998	205,762	470,624	493,104
Total assets less current liabilities		367,812	487,555	901,836	878,002

Consolidated Statements of Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Revenue	21	1,864,167	3,872,118	6,225,087	2,799,929	3,510,764
Cost of sales	23	(547,248)	(1,095,177)	(1,941,710)	(869,142)	(1,082,776)
Gross profit		1,316,919	2,776,941	4,283,377	1,930,787	2,427,988
Selling and marketing expenses	23	(1,053,217)	(2,265,332)	(3,495,431)	(1,566,900)	(1,963,762)
Administrative expenses	23	(94,588)	(159,811)	(230,053)	(120,211)	(136,728)
Other gains – net	22	1,171	12,679	31,637	870	5,306
Operating profit		170,285	364,477	589,530	244,546	332,804
Finance income.		459	347	1,937	459	2,650
Finance costs		(2,294)	(13,575)	(38,075)	(17,909)	(26,962)
Finance costs – net	26	(1,835)	(13,228)	(36,138)	(17,450)	(24,312)
Profit before income tax		168,450	351,249	553,392	227,096	308,492
Income tax expense	27(a)	(45,483)	(91,694)	(140,019)	(58,047)	(77,887)
Profit for the year/period		122,967	259,555	413,373	169,049	230,605
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the year/period		122,967	259,555	413,373	169,049	230,605
Profit attributable to:						
Equity owners of the Company		127,243	259,905	407,298	169,049	226,335
Non-controlling interests		(4,276)	(350)	6,075	–	4,270
Profit for the year/period		122,967	259,555	413,373	169,049	230,605
Total comprehensive income attributable to:						
Equity owners of the Company		127,243	259,905	407,298	169,049	226,335
Non-controlling interests		(4,276)	(350)	6,075	–	4,270
Total comprehensive income for the year/period		122,967	259,555	413,373	169,049	230,605
Earnings per share for profit attributable to the equity owners of the Company during the year/period (expressed in RMB per share)						
Basic and diluted earnings per share	29	0.37	0.75	1.14	0.49	0.62
Dividends	30	–	61,490	25,000	–	142,247

Consolidated Statements of Changes in Equity

		Equity attributable to owners of the Company					
		Paid-in capital/ share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2011		11,067	147,287	66,146	224,500	4,276	228,776
Comprehensive income							
Profit for the year		–	–	127,243	127,243	(4,276)	122,967
Total comprehensive income for the year		–	–	127,243	127,243	(4,276)	122,967
Transactions with owners							
Appropriation to statutory reserve	15(a)	–	14,231	(14,231)	–	–	–
Converted into a joint stock company with limited liability	14(a)	198,933	(139,754)	(59,179)	–	–	–
Contributions from a shareholder by awarding its equity instruments to the employees	15(b)(i)	–	8,172	–	8,172	–	8,172
Total transactions with owners		198,933	(117,351)	(73,410)	8,172	–	8,172
As at 31 December 2011		210,000	29,936	119,979	359,915	–	359,915
As at 1 January 2012		210,000	29,936	119,979	359,915	–	359,915
Comprehensive income							
Profit for the year		–	–	259,905	259,905	(350)	259,555
Total comprehensive income for the year		–	–	259,905	259,905	(350)	259,555
Transactions with owners							
Appropriation to statutory reserve	15(a)	–	32,040	(32,040)	–	–	–
Non-controlling interests' capital contribution to the Group		–	–	–	–	350	350
Dividends	30	–	–	(61,490)	(61,490)	–	(61,490)
Contributions from shareholders by awarding its equity instruments to the employees	15(b)(i)	–	10,082	–	10,082	–	10,082
Total transactions with owners		–	42,122	(93,530)	(51,408)	350	(51,058)
As at 31 December 2012		210,000	72,058	286,354	568,412	–	568,412
As at 1 January 2013		210,000	72,058	286,354	568,412	–	568,412
Comprehensive income							
Profit for the year		–	–	407,298	407,298	6,075	413,373
Total comprehensive income for the year		–	–	407,298	407,298	6,075	413,373
Transactions with owners							
Appropriation to statutory reserve	15(a)	–	46,790	(46,790)	–	–	–
Dividends	30	–	–	(25,000)	(25,000)	–	(25,000)
Increase in share capital by way of capitalization of other reserve and retained earnings	14(b)	136,500	(21,000)	(115,500)	–	–	–
Issue of shares to an investor	14(c)	18,237	281,763	–	300,000	–	300,000
Contributions from a shareholder by awarding its equity instruments to the employees	15(b)(i)	–	6,563	–	6,563	–	6,563
Total transactions with owners		154,737	314,116	(187,290)	281,563	–	281,563
As at 31 December 2013		364,737	386,174	506,362	1,257,273	6,075	1,263,348

Consolidated Statements of Changes in Equity

		Equity attributable to owners of the Company					
		Paid-in capital/ share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2014		364,737	386,174	506,362	1,257,273	6,075	1,263,348
Comprehensive income							
Profit for the period		–	–	226,335	226,335	4,270	230,605
Total comprehensive income for the period		–	–	226,335	226,335	4,270	230,605
Transactions with owners							
Dividends	30	–	–	(142,247)	(142,247)	–	(142,247)
Contributions from a shareholder by awarding its equity instruments to the employees	15(b)(i)	–	3,019	–	3,019	–	3,019
Total transactions with owners		–	3,019	(142,247)	(139,228)	–	(139,228)
As at 30 June 2014		364,737	389,193	590,450	1,344,380	10,345	1,354,725
(Unaudited)							
As at 1 January 2013		210,000	72,058	286,354	568,412	–	568,412
Comprehensive income							
Profit for the period		–	–	169,049	169,049	–	169,049
Total comprehensive income for the period		–	–	169,049	169,049	–	169,049
Transactions with owners							
Increase in share capital by way of capitalization of other reserve and retained earnings	14(b)	136,500	(21,000)	(115,500)	–	–	–
Contributions from a shareholder by awarding its equity instruments to the employees	15(b)(i)	–	5,041	–	5,041	–	5,041
Issue of shares to an investor	14(c)	18,237	281,763	–	300,000	–	300,000
Total transactions with owners		154,737	265,804	(115,500)	305,041	–	305,041
As at 30 June 2013		364,737	337,862	339,903	1,042,502	–	1,042,502

Consolidated Cash Flow Statements

	Note	Year ended 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000	Six months ended 30 June 2013 RMB'000 (unaudited)	2014 RMB'000
Cash flow from operating activities						
Cash generated from operations	31(a)	120,927	206,492	469,831	116,441	404,639
Interest paid		(2,114)	(12,980)	(37,632)	(16,779)	(26,584)
Income tax paid		(38,200)	(106,670)	(128,730)	(76,654)	(111,242)
Net cash generated from operating activities		80,613	86,842	303,469	23,008	266,813
Cash flow from investing activities						
Proceeds from disposal of property, plant and equipment	31(b)	655	266	374	–	961
(Increase)/decrease in bidding deposit for purchase of land use rights		–	(2,800)	2,800	2,800	–
Net (increase)/decrease in bank deposits secured for issuance of bill payables and borrowings		–	(1,009)	523	(293)	161
Purchases of land use rights		–	–	(16,184)	(16,184)	–
Purchases of property, plant and equipment		(120,329)	(347,003)	(461,443)	(169,751)	(231,790)
Purchases of intangible assets		(9,755)	(19,453)	(15,579)	(8,856)	(2,682)
Net cash used in investing activities		(129,429)	(369,999)	(489,509)	(192,284)	(233,350)
Cash flows from financing activities						
Cash received from capital contributions		–	–	300,000	300,000	–
Cash received from non-controlling interests' capital contribution		–	350	–	–	–
Prepayment for listing expenses		–	–	(5,868)	–	(6,206)
Proceeds from borrowings		117,000	506,000	939,500	471,800	654,900
Repayments of borrowings		(11,000)	(187,000)	(584,500)	(207,000)	(417,300)
Dividends paid to the Company's shareholders		(12,000)	(29,990)	(51,156)	(16,311)	(147,591)
Net cash generated from financing activities		94,000	289,360	597,976	548,489	83,803
Net increase in cash and cash equivalents		45,184	6,203	411,936	379,213	117,266
Cash and cash equivalents at beginning of the year/period	13	57,227	102,411	108,614	108,614	520,550
Cash and cash equivalents at end of the year/period	13	102,411	108,614	520,550	487,827	637,816

II NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACTIVITIES AND ORGANIZATION

The Company, initially known as Shanghai Xuhui La Chapelle Fashion Limited (上海徐匯拉夏貝爾服飾有限公司), was incorporated in the PRC on 14 March 2001 as a limited liability company. On 26 February 2004, the Company changed its name to Shanghai La Chapelle Fashion Limited (上海拉夏貝爾服飾有限公司). On 23 May 2011, the Company was converted into a joint stock company with limited liabilities under the Company Law of the PRC and changed its name to Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司).

The Group is principally engaged in designing, marketing and selling apparel products in the PRC.

Mr. Xing Jiaxing (邢加興) is the founder and one of the controlling shareholders of the Group.

The address of the Company is Room 3300, Block 1, Level 3, 270 Cao Xi Road, Shanghai, the PRC.

The English names of companies mentioned in this report represented the best effort by directors of the Company in translating their Chinese names as they may not have official English names.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with IFRSs and under the historical cost convention.

The preparation of the Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

New standards, amendments and interpretation to the existing standards that are effective during the Relevant Periods have been adopted by the Group consistently throughout the Relevant Periods unless prohibited by the relevant standard to apply retrospectively.

The following new standards, amendments and interpretations published by the IASB that are not yet effective during the Relevant Periods and have not been early adopted by the Group.

	Effective for annual periods beginning on or after
Amendment to IAS19 regarding defined benefit plans	1 July 2014
Annual improvements 2012, these amendments include changes from the 2010-2012 cycle of the annual improvements project that include the following standards: IFRS 2, IFRS 3, IFRS 9, IAS 37, IAS 39, IFRS 8, IAS 16, IAS 38 and IAS 24	1 July 2014
Annual improvements 2013, these amendments include changes from the 2011-2013 cycle of the annual improvements project that include the following standards: IFRS 3, IFRS 13 and IAS 40	1 July 2014
IFRS 14 "Regulatory Deferral Accounts"	1 January 2016
Amendment to IFRS 11 on accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 15 "Revenue from Contracts with Customers"	1 January 2017
IFRS 9 "Financial Instruments"	1 January 2018

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the consolidated financial statements of the Group in the initial application. The adoption of the above is not expected to have a material effect on the Group's operating results or financial position.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial information

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial information exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statements of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to profit or loss in the consolidated statements of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated statements of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Renminbi ("RMB") throughout the Relevant Periods, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within "finance costs – net". All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other gains – net".

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Machinery and equipment	5 years
Office and electronic equipment	3 to 5 years
Vehicles	5 years
Leasehold improvements	2 to 5 years

Construction in progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – net" in the consolidated statements of comprehensive income.

2.7 Land use rights

Land use rights represent upfront prepayments made for the land use rights at historical cost, and are expensed in the consolidated statements of comprehensive income on a straight-line basis over 50 years. Whenever there is impairment, the impairment is recognised in the consolidated statements of comprehensive income (Note 2.9).

2.8 Intangible assets

(a) Acquired trademark

Separately acquired trademark is carried at cost less accumulated amortization and accumulated impairment losses (Note 2.9), if any. Amortization of trademark that has definite useful lives is calculated using the straight-line method to allocate the costs of acquired trademark over its estimated useful lives over 9 years.

(b) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software. These costs are amortized over periods ranging from 3 to 5 years.

2.9 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group only has financial assets classified as "loans and receivables" during the Relevant Periods.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "deposits, prepayments and other receivables" with exclusion of prepayment, "restricted cash" and "cash and cash equivalents", in the consolidated balance sheets (Note 11, 12 and 13).

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. Loans and receivables are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, sub-contracting costs that have been incurred in bringing the inventories to their present condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Receivables

Receivables primarily include trade receivables and deposits, prepayments and other receivables.

(a) Trade receivables and other receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(b) Deposits

Deposits are recorded at their historical value. Impairment is recorded if the net present value is higher than the estimated recoverable amount.

A provision for impairment of deposits is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of deposits.

2.14 Cash and cash equivalents

In the consolidated cash flow statements, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.15 Restricted cash

Restricted cash represents guaranteed deposits held in a separate bank account for issuance of bill payables. Such restricted cash are released when the Group repays the related bill payables.

2.16 Paid-in capital/share capital

Paid-in capital/share capital are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Payables

Payables primarily include trade and bill payables and other payables, accruals and other current liabilities.

(a) Trade and bill payables and other payables

Trade and bill payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and bill payables and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and bill payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(b) Liabilities linked to operating leases

In negotiating a new or renewed operating lease, certain lessors provide incentives to enter into the agreement. Such incentives are generally in the forms of granting rent-free or reduced rent for the initial periods of the lease term. The aggregate benefits of the incentives which are considered as part of the net rental consideration shall be recognised as a reduction of rental expense over the lease term, on a straight-line basis. Accordingly, the accounting periods in which this net rental consideration is recognised may be different with the periods, upon which the payments of rental consideration are settled, which in turn, may result in "liabilities linked to operating leases".

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Borrowings costs

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

2.20 Contributions from a shareholder by awarding its equity instruments to the employees

Shanghai Hexia Investment Co., Ltd. (上海合夏投資有限公司, hereafter referred to as "Shanghai Hexia"), a company which was set up for the benefits of the Group's employees and holds certain equity interests in the Company, adopted a series of share-based compensation plans in exchange for employee services to the Group.

(a) Accounting treatment under Shanghai Hexia

Under each of the share-based compensation plan, an employee has the right to choose settlement either in cash or by Shanghai Hexia's issuing equity instruments, with different length of vesting periods. Accordingly, Shanghai Hexia is considered to have issued compound instruments with debt component (to the extent that the employees have rights to demand cash) and equity component (to the extent that the employees have rights to demand settlement in Shanghai Hexia's issuing equity instruments by giving up their rights to demand cash). The fair value of the debt component at the grant date is determined as the present value of the future cash outflow. The equity component is then measured at the difference between the fair value of compound instrument as a whole and the debt component. The fair value of compound instruments is determined by the discounted cash flow method under the income approach. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

(b) Accounting treatment under the Group

In the Group's consolidated financial statements, the share-based compensation plans are treated as equity-settled share-based payments, as the Group do not have any obligation to settle these awards. An expense for the grant date fair value of each of the compound instrument's components is recognised over the different length of vesting periods with a credit recognised in equity. The credit to equity is treated as a capital contribution from Shanghai Hexia.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference, the deferred tax liability is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Bonus entitlements

The expected cost of bonus payments are recognized as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.23 Provision and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the Group's consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

2.24 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

For a component of the lease payment which is not fixed but is based on future amount of a factor, other than the passage of time, such as percentage of sales or concessionaire fees, the amount is recognized as "selling and marketing expenses" as it arises.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for products supplied, stated net of discounts returns and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of products – retail

Revenue from the sales of products is recognized when the risk and reward of the products have been transferred to the customer, which is usually at the time when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(b) Sales of products – wholesale distribution

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to the customer and title has been passed.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.26 Government incentive

Incentives from the government are recognized at their fair value where there is a reasonable assurance that the incentives will be received and the Group will comply with all attached conditions.

Government incentives relating to income are deferred and recognized in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government incentives relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated statements of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's shareholders after its conversion into a joint stock company, or approved by the Company's board of directors before then, where appropriate.

2.28 Research and development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects relating to design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge certain risk exposures during the Relevant Periods.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with most of the Group's transactions are denominated and settled in RMB. So the Group does not expose it to significant foreign exchange risk.

(ii) Cash flow interest rate risk

As the Group has no significant interest-bearing assets (other than cash and cash equivalents and restricted cash, details of which have been disclosed in Note 13), the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk primarily arises from bank borrowings.

Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk exposure during the Relevant Periods. Management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

As at 31 December 2011, 2012, 2013 and 30 June 2013 and 2014, if the interest rate on borrowings had been higher/lower by 5%, the Group's net profit for each year/period would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Year/period ended:					
Net profit (decrease)/increase					
– Higher 5%	(68)	(208)	(691)	(656)	(127)
– Lower 5%	68	208	691	656	127

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits, prepayments and other receivables with exclusion of prepayment, cash and cash equivalents and restricted cash with banks included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has policies in place to ensure that credit terms granted to the department stores with an appropriate credit history and the Group performs periodic credit evaluations of the department stores. The Group's concessionaire sales through department stores are generally collectible up to 90 days from the invoice date. For wholesale distribution, deposits and advances are received from the third party retailers in most cases before delivery is made. Normally the Group does not require collaterals from trade debtors. Management make periodic individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors. The existing debtors have no significant defaults in the past. The directors are of the opinion that no additional allowance for the debtors is required.

The Group also makes deposits for rental of certain of its retail outlets with the relevant landlords. Management does not expect any loss arising from non-performance by these counterparties.

As at 31 December 2011, 2012, 2013 and 30 June 2014, substantially all the bank balances, restricted cash with banks as detailed in Note 13 are held in major banks located in the PRC, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any bank and management does not expect any loss arising from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of property, plant and equipment, including leasehold improvements, repayment of borrowings and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal generated funds, bank borrowings and issuing shares to finance investors, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2011					
Borrowings, including interest payables	110,628	–	–	–	110,628
Trade and bill payables	350,686	–	–	–	350,686
Financial liabilities as included in other payables, accruals and other current liabilities	125,682	–	–	–	125,682
	586,996	–	–	–	586,996
As at 31 December 2012					
Borrowings, including interest payables	440,215	–	–	–	440,215
Trade and bill payables	794,196	–	–	–	794,196
Financial liabilities as included in other payables, accruals and other current liabilities	302,849	–	–	–	302,849
	1,537,260	–	–	–	1,537,260
As at 31 December 2013					
Borrowings, including interest payables	804,381	–	–	–	804,381
Trade and bill payables	915,225	–	–	–	915,225
Financial liabilities as included in other payables, accruals and other current liabilities	568,011	–	–	–	568,011
	2,287,617	–	–	–	2,287,617
As at 30 June 2014					
Borrowings, including interest payables	1,020,719	31,750	–	–	1,052,469
Trade and bill payables	523,440	–	–	–	523,440
Financial liabilities as included in other payables, accruals and other current liabilities	461,131	–	–	–	461,131
	2,005,290	31,750	–	–	2,037,040

The estimated amount of interest payments on borrowings are arrived based on the principal borrowing balance and prevailing interest rates at respective balance sheet dates up to the final maturity dates of the borrowing agreements.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy remains consistent throughout the Relevant Periods.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group also monitors capital on basis of the gearing ratio. This ratio is calculated as total borrowings divided by equity as shown in the consolidated balance sheets.

The gearing ratios as at 31 December 2011, 2012, 2013 and 30 June 2014 are as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings (Note 17)	106,000	425,000	780,000	1,017,600
Equity	359,915	568,412	1,263,348	1,354,725
Gearing ratio (%)	29%	75%	62%	75%

The increase in the gearing ratio is resulted primarily from the significant increase in the balance of borrowings for business expansion.

3.3 Fair value estimation

(a) The Group adopts the amendment to IFRS 7 for financial instruments that are measured in the consolidated balance sheets at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group did not have any financial assets or liability that are measured at fair value during the Relevant Periods.

(b) Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables;
- Deposits, prepayments and other receivables (except for prepayments);
- Cash and cash equivalents (including restricted cash);
- Trade and bill payables;
- Other payables, accruals and other current liabilities (except for advance from customers, staff salaries and welfare payables and accrued taxes other than income tax);
- Borrowings.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives, residual values and depreciation charges of property, plant and equipment and useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives, residual values and related depreciation or amortization charges for the Group's property, plant and equipment and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Depreciation with respect to the concessionaire counters is calculated based on an estimated useful life of two years. This assumption is made based on the facts that the Group normally conduct renovation of the concessionaire counters once every two years and that the Group is typically able to renew its concessionaire agreements upon expiry. Depreciation with respect to the standalone retail outlets is calculated based on an estimated useful life of the shorter of five years and the terms of the leases. Management will revise the depreciation and amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortization expense in future periods.

(b) Impairment of non-financial assets

Non-financial assets including property, plant and equipment, land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and the resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statements of comprehensive income.

(c) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(d) Current and deferred income tax

The Group is subject to income taxes in different areas in the PRC. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(e) Impairment of receivables

The Group's management determines the provision for impairment of trade receivables, deposits, prepayments and other receivables based on an assessment of the recoverability of these receivables. This assessment is based on the credit history of department stores and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date.

5 SEGMENT INFORMATION

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that makes strategic decisions.

The Group is principally engaged in designing, marketing and selling apparel products and 100% of its revenue are derived in the PRC during the Relevant Periods.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue during the Relevant Periods.

6 PROPERTY, PLANT AND EQUIPMENT

Group

	Machinery and equipment	Office and electronic equipment	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011						
Cost	54	4,602	3,751	87,585	–	95,992
Accumulated depreciation	(35)	(1,157)	(1,882)	(41,778)	–	(44,852)
Net book amount	19	3,445	1,869	45,807	–	51,140
Year ended 31 December 2011						
Opening net book amount	19	3,445	1,869	45,807	–	51,140
Additions	578	2,653	1,524	166,941	–	171,696
Disposals	–	–	(217)	–	–	(217)
Depreciation (Note 23)	(64)	(1,050)	(571)	(56,142)	–	(57,827)
Closing net book amount	533	5,048	2,605	156,606	–	164,792
At 31 December 2011						
Cost	632	7,255	3,333	252,036	–	263,256
Accumulated depreciation	(99)	(2,207)	(728)	(95,430)	–	(98,464)
Net book amount	533	5,048	2,605	156,606	–	164,792
Year ended 31 December 2012						
Opening net book amount	533	5,048	2,605	156,606	–	164,792
Additions	842	19,552	235	396,388	338	417,355
Disposals	–	(27)	(368)	–	–	(395)
Depreciation (Note 23)	(219)	(5,080)	(645)	(133,838)	–	(139,782)
Closing net book amount	1,156	19,493	1,827	419,156	338	441,970
At 31 December 2012						
Cost	1,474	26,416	2,959	638,202	338	669,389
Accumulated depreciation	(318)	(6,923)	(1,132)	(219,046)	–	(227,419)
Net book amount	1,156	19,493	1,827	419,156	338	441,970
Year ended 31 December 2013						
Opening net book amount	1,156	19,493	1,827	419,156	338	441,970
Additions	5	27,043	1,759	522,546	99,238	650,591
Disposals	–	(105)	(205)	–	–	(310)
Depreciation (Note 23)	(272)	(11,596)	(825)	(288,065)	–	(300,758)
Closing net book amount	889	34,835	2,556	653,637	99,576	791,493
At 31 December 2013						
Cost	1,479	53,234	4,258	1,122,432	99,576	1,280,979
Accumulated depreciation	(590)	(18,399)	(1,702)	(468,795)	–	(489,486)
Net book amount	889	34,835	2,556	653,637	99,576	791,493
Six months ended 30 June 2014						
Opening net book amount	889	34,835	2,556	653,637	99,576	791,493
Additions	195	5,349	1,863	47,853	71,960	127,220
Disposals	–	(131)	(1,678)	–	–	(1,809)
Depreciation (Note 23)	(139)	(8,781)	(357)	(155,481)	–	(164,758)
Closing net book amount	945	31,272	2,384	546,009	171,536	752,146
At 30 June 2014						
Cost	1,674	58,273	3,163	1,146,935	171,536	1,381,581
Accumulated depreciation	(729)	(27,001)	(779)	(600,926)	–	(629,435)
Net book amount	945	31,272	2,384	546,009	171,536	752,146

	Machinery and equipment	Office and electronic equipment	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
At 1 January 2013						
Cost	1,474	26,416	2,959	638,202	338	669,389
Accumulated depreciation	(318)	(6,923)	(1,132)	(219,046)	–	(227,419)
Net book amount	1,156	19,493	1,827	419,156	338	441,970
Six months ended 30 June 2013						
Opening net book amount	1,156	19,493	1,827	419,156	338	441,970
Additions	2	11,946	1,760	212,619	5,530	231,857
Disposals	–	(13)	–	–	–	(13)
Depreciation (Note 23)	(136)	(4,925)	(399)	(133,212)	–	(138,672)
Closing net book amount	1,022	26,501	3,188	498,563	5,868	535,142
At 30 June 2013						
Cost	1,476	38,338	4,719	847,442	5,868	897,843
Accumulated depreciation	(454)	(11,837)	(1,531)	(348,879)	–	(362,701)
Net book amount	1,022	26,501	3,188	498,563	5,868	535,142

As at 30 June 2014, certain construction in progress with carrying amount of RMB128,369,000 were secured for the Group's bank borrowing (Note 17).

During the Relevant Periods, depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive income (Note 23) as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Administrative expenses	1,607	3,990	5,944	2,695	4,627
Selling and marketing expenses	56,220	135,792	294,814	135,977	160,131
	57,827	139,782	300,758	138,672	164,758

During the year ended 31 December 2013 and the six months ended 30 June 2014, the Group has capitalised borrowing costs amounting to RMB1,327,000 and RMB2,821,000 on construction in progress. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 6.06% and 5.99%, respectively.

Company

	Machinery and equipment	Office and electronic equipment	Vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011					
Cost	54	4,587	3,142	82,994	90,777
Accumulated depreciation	(35)	(1,154)	(1,872)	(41,409)	(44,470)
Net book amount	19	3,433	1,270	41,585	46,307

	Machinery and equipment	Office and electronic equipment	Vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011					
Opening net book amount	19	3,433	1,270	41,585	46,307
Additions	578	2,298	1,064	133,455	137,395
Disposals	–	–	(217)	–	(217)
Depreciation	(64)	(993)	(376)	(49,865)	(51,298)
Closing net book amount	533	4,738	1,741	125,175	132,187
At 31 December 2011					
Cost	632	6,885	2,264	213,959	223,740
Accumulated depreciation	(99)	(2,147)	(523)	(88,784)	(91,553)
Net book amount	533	4,738	1,741	125,175	132,187
Year ended 31 December 2012					
Opening net book amount	533	4,738	1,741	125,175	132,187
Additions	842	13,503	–	110,374	124,719
Disposals	–	(21)	–	–	(21)
Depreciation	(219)	(4,374)	(426)	(74,217)	(79,236)
Closing net book amount	1,156	13,846	1,315	161,332	177,649
At 31 December 2012					
Cost	1,474	20,005	2,264	316,408	340,151
Accumulated depreciation	(318)	(6,159)	(949)	(155,076)	(162,502)
Net book amount	1,156	13,846	1,315	161,332	177,649
Year ended 31 December 2013					
Opening net book amount	1,156	13,846	1,315	161,332	177,649
Additions	5	15,628	–	150,002	165,635
Disposals	–	(25)	–	–	(25)
Depreciation	(272)	(7,743)	(387)	(115,880)	(124,282)
Closing net book amount	889	21,706	928	195,454	218,977
At 31 December 2013					
Cost	1,479	35,533	2,264	451,216	490,492
Accumulated depreciation	(590)	(13,827)	(1,336)	(255,762)	(271,515)
Net book amount	889	21,706	928	195,454	218,977
Six months ended 30 June 2014					
Opening net book amount	889	21,706	928	195,454	218,977
Additions	–	1,802	582	9,394	11,778
Disposals	–	(14)	(337)	–	(351)
Depreciation	(135)	(5,812)	(163)	(55,341)	(61,451)
Closing net book amount	754	17,682	1,010	149,507	168,953
At 30 June 2014					
Cost	1,479	37,157	1,646	450,824	491,106
Accumulated depreciation	(725)	(19,475)	(636)	(301,317)	(322,153)
Net book amount	754	17,682	1,010	149,507	168,953

	Machinery and equipment	Office and electronic equipment	Vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
At 1 January 2013					
Cost	1,474	20,005	2,264	316,408	340,151
Accumulated depreciation	(318)	(6,159)	(949)	(155,076)	(162,502)
Net book amount	1,156	13,846	1,315	161,332	177,649
Six months ended 30 June 2013					
Opening net book amount	1,156	13,846	1,315	161,332	177,649
Additions	2	5,993	–	71,586	77,581
Disposals	–	(13)	–	–	(13)
Depreciation	(136)	(3,452)	(194)	(52,815)	(56,597)
Closing net book amount	1,022	16,374	1,121	180,103	198,620
At 30 June 2013					
Cost	1,476	25,974	2,264	385,812	415,526
Accumulated depreciation	(454)	(9,600)	(1,143)	(205,709)	(216,906)
Net book amount	1,022	16,374	1,121	180,103	198,620

7 LAND USE RIGHTS

Group

Land use rights represent prepaid operating lease payments for land located in the PRC, which are held on leases of 50 years.

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening net book value	–	–	–	–	15,941
Additions	–	–	16,184	16,184	–
Amortization charges (Note 23)	–	–	(243)	(81)	(162)
Closing net book value	–	–	15,941	16,103	15,779

As at 30 June 2014, certain land use right with a carrying amount of RMB15,779,000 was placed as collaterals for the Group's borrowings (Note 17).

During the Relevant Periods, the amortization of land use rights has been charged to administrative expenses in the consolidated statements of comprehensive income (Note 23).

8 INTANGIBLE ASSETS

Group

	Acquired trademark	Computer software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2011			
Cost	–	279	279
Accumulated amortization	–	(53)	(53)
Net book amount	–	226	226
Year ended 31 December 2011			
Opening net book amount	–	226	226
Additions	1,776	7,979	9,755
Amortization charges (Note 23)	(67)	(201)	(268)
Closing net book amount	1,709	8,004	9,713

	Acquired trademark	Computer software	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2011			
Cost	1,776	8,258	10,034
Accumulated amortization	(67)	(254)	(321)
Net book amount	1,709	8,004	9,713
Year ended 31 December 2012			
Opening net book amount	1,709	8,004	9,713
Additions	–	19,453	19,453
Amortization charges (Note 23)	(201)	(2,857)	(3,058)
Closing net book amount	1,508	24,600	26,108
At 31 December 2012			
Cost	1,776	27,711	29,487
Accumulated amortization	(268)	(3,111)	(3,379)
Net book amount	1,508	24,600	26,108
Year ended 31 December 2013			
Opening net book amount	1,508	24,600	26,108
Additions	–	17,537	17,537
Amortization charges (Note 23)	(201)	(7,125)	(7,326)
Closing net book amount	1,307	35,012	36,319
At 31 December 2013			
Cost	1,776	45,248	47,024
Accumulated amortization	(469)	(10,236)	(10,705)
Net book amount	1,307	35,012	36,319
Six months ended 30 June 2014			
Opening net book amount	1,307	35,012	36,319
Additions	–	724	724
Amortization charges (Note 23)	(101)	(4,933)	(5,034)
Closing net book amount	1,206	30,803	32,009
At 30 June 2014			
Cost	1,776	45,972	47,748
Accumulated amortization	(570)	(15,169)	(15,739)
Net book amount	1,206	30,803	32,009
(Unaudited)			
At 1 January 2013			
Cost	1,776	27,711	29,487
Accumulated amortization	(268)	(3,111)	(3,379)
Net book amount	1,508	24,600	26,108
Six months ended 30 June 2013			
Opening net book amount	1,508	24,600	26,108
Additions	–	8,856	8,856
Amortization charges (Note 23)	(101)	(3,031)	(3,132)
Closing net book amount	1,407	30,425	31,832
At 30 June 2013			
Cost	1,776	36,567	38,343
Accumulated amortization	(369)	(6,142)	(6,511)
Net book amount	1,407	30,425	31,832

During the Relevant Periods, the amortization of intangible assets has been charged to the administrative expenses in the consolidated statements of comprehensive income (Note 23).

Company

	Computer software
	RMB'000
At 1 January 2011	
Cost	279
Accumulated amortization	(53)
Net book amount	226
Year ended 31 December 2011	
Opening net book amount	226
Additions	7,979
Amortization charges	(201)
Closing net book amount	8,004
At 31 December 2011	
Cost	8,258
Accumulated amortization	(254)
Net book amount	8,004
Year ended 31 December 2012	
Opening net book amount	8,004
Additions	19,453
Amortization charges	(2,857)
Closing net book amount	24,600
At 31 December 2012	
Cost	27,711
Accumulated amortization	(3,111)
Net book amount	24,600
Year ended 31 December 2013	
Opening net book amount	24,600
Additions	17,537
Amortization charges	(7,125)
Closing net book amount	35,012
At 31 December 2013	
Cost	45,248
Accumulated amortization	(10,236)
Net book amount	35,012
Six months ended 30 June 2014	
Opening net book amount	35,012
Additions	724
Amortization charges	(4,933)
Closing net book amount	30,803
At 30 June 2014	
Cost	45,972
Accumulated amortization	(15,169)
Net book amount	30,803
(Unaudited)	
At 1 January 2013	
Cost	27,711
Accumulated amortization	(3,111)
Net book amount	24,600
Six months ended 30 June 2013	
Opening net book amount	24,600
Additions	8,856
Amortization charges	(3,031)
Closing net book amount	30,425
At 30 June 2013	
Cost	36,567
Accumulated amortization	(6,142)
Net book amount	30,425

9 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Group

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
– to be recovered after more than 12 months	12,986	31,065	33,096	29,242
– to be recovered within 12 months	26,689	69,151	133,059	137,627
	39,675	100,216	166,155	166,869
Deferred income tax liabilities:				
– to be recovered after more than 12 months	8,011	23,059	33,356	31,481
– to be recovered within 12 months	4,576	12,581	18,821	15,117
	12,587	35,640	52,177	46,598
Deferred income tax assets – net	27,088	64,576	113,978	120,271

The analysis of deferred tax assets and deferred tax liabilities without taking into consideration of off-setting is as follows:

Deferred income tax assets	Tax losses carried forward	Provision for inventory impairment	Accruals	Unrealized profit (a)	Rent incentives recognized on a straight-line basis	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	1,025	2,491	9,589	–	1,610	14,715
Credited to the consolidated statements of comprehensive income	5,104	1,584	12,079	–	6,193	24,960
At 31 December 2011	6,129	4,075	21,668	–	7,803	39,675
Credited to the consolidated statements of comprehensive income	3,444	7,513	19,661	15,521	14,402	60,541
At 31 December 2012	9,573	11,588	41,329	15,521	22,205	100,216
(Debited)/credited to the consolidated statements of comprehensive income	(5,337)	17,626	17,653	24,071	11,926	65,939
At 31 December 2013	4,236	29,214	58,982	39,592	34,131	166,155
Credited/(debited) to the consolidated statements of comprehensive income	5,981	11,854	(2,236)	(12,166)	(2,719)	714
At 30 June 2014	10,217	41,068	56,746	27,426	31,412	166,869

Deferred income tax assets	Tax losses carried forward	Provision for inventory impairment	Accruals	Unrealized profit (a)	Rent incentives recognized on a straight-line basis	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
At 1 January 2013	9,573	11,588	41,329	15,521	22,205	100,216
Credited to the consolidated statements of comprehensive income	2,419	9,448	4,762	4,248	7,162	28,039
At 30 June 2013	11,992	21,036	46,091	19,769	29,367	128,255

(a) Deferred income tax assets of unrealized profit mainly attributed to the unrealized profit on intra-group transfer of inventories.

Deferred income tax liabilities	Difference in depreciation between tax and accounting	Capitalised borrowing costs	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2011	3,308	–	3,308
Debited to the consolidated statements of comprehensive income	9,279	–	9,279
At 31 December 2011	12,587	–	12,587
Debited to the consolidated statements of comprehensive income	23,053	–	23,053
At 31 December 2012	35,640	–	35,640
Debited to the consolidated statements of comprehensive income	16,205	332	16,537
At 31 December 2013	51,845	332	52,177
(Credited)/debited to the consolidated statements of comprehensive income	(6,284)	705	(5,579)
At 30 June 2014	45,561	1,037	46,598
(Unaudited)			
At 1 January 2013	35,640	–	35,640
Debited to the consolidated statements of comprehensive income	12,137	–	12,137
At 30 June 2013	47,777	–	47,777

Company

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
– to be recovered after more than 12 months	3,882	7,759	6,654	6,078
– to be recovered within 12 months	24,427	32,317	42,875	47,082
	28,309	40,076	49,529	53,160
Deferred income tax liabilities:				
– to be recovered after more than 12 months	6,653	13,083	10,309	7,959
– to be recovered within 12 months	3,783	4,849	5,397	3,459
	10,436	17,932	15,706	11,418
Deferred income tax assets – net	17,873	22,144	33,823	41,742

The analysis of deferred tax assets and deferred tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets	Provision for inventory impairment	Accruals	Rent incentives recognized on a straight-line basis	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	2,491	9,498	1,485	13,474
Credited to the statements of comprehensive income	978	11,460	2,397	14,835
At 31 December 2011	3,469	20,958	3,882	28,309
Credited to the statements of comprehensive income	1,932	5,958	3,877	11,767
At 31 December 2012	5,401	26,916	7,759	40,076
Credited/(debited) to the statements of comprehensive income	5,858	4,008	(413)	9,453
At 31 December 2013	11,259	30,924	7,346	49,529
Credited/(debited) to the statements of comprehensive income	3,560	518	(447)	3,631
At 30 June 2014	14,819	31,442	6,899	53,160
(Unaudited)				
At 1 January 2013	5,401	26,916	7,759	40,076
Credited to the statements of comprehensive income	3,327	1,986	2,464	7,777
At 30 June 2013	8,728	28,902	10,223	47,853

Deferred income tax liabilities	Difference in depreciation between tax and accounting
	RMB'000
At 1 January 2011	2,994
Debited to the statements of comprehensive income	7,442
At 31 December 2011	10,436
Debited to the statements of comprehensive income	7,496
At 31 December 2012	17,932
Credited to the statements of comprehensive income	(2,226)
At 31 December 2013	15,706
Credited to the statements of comprehensive income	(4,288)
At 30 June 2014	11,418
(Unaudited)	
At 1 January 2013	17,932
Debited to the statements of comprehensive income	1,578
At 30 June 2013	19,510

10 INVENTORIES

Group

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	10,896	7,526	4,381	1,554
Finished goods	385,780	815,150	1,282,257	1,200,748
Low value consumables	1,406	4,230	6,289	8,707
	398,082	826,906	1,292,927	1,211,009

Inventories are valued at the lower of cost and estimated net realisable value. Impairment provision is made for obsolete and slow-moving items. The movement of inventory provision during the Relevant Periods is as follows:

	Year ended 31 December			Six month ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Beginning balance of the year/period	9,965	16,301	46,350	46,350	116,857
– Write down of inventories to net realisable value included in the "cost of sales" (Note 23)	8,417	35,984	92,059	50,777	59,482
– Donation of inventories fully provided for in prior years/period	(2,081)	(5,935)	(21,552)	(12,982)	(12,067)
Ending balance of the year/period	16,301	46,350	116,857	84,145	164,272

The cost of inventories recognized as "cost of sales" amounted to approximately RMB522,825,000, RMB1,033,277,000, RMB1,803,758,000, RMB795,882,000, RMB989,001,000 for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2013 and 2014, respectively (Note 23).

Company

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	9,852	4,927	3,385	1,230
Finished goods	359,201	342,714	421,155	415,955
Low value consumables	1,282	1,130	2,711	3,820
	370,335	348,771	427,251	421,005

The Company recognized losses of RMB3,909,000, RMB7,729,000, RMB23,435,000, RMB13,309,000 and RMB21,189,000 in respect of the loss on obsolete inventories and write-down of inventories to their net realizable value for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2013 and 2014, respectively.

11 TRADE RECEIVABLES

Group

As at 31 December 2011, 2012, 2013 and 30 June 2014, the aging analysis of trade receivables based on invoice date was as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, gross				
– Within 30 days	261,315	621,841	765,363	588,821
– Over 30 days and within 60 days	41,376	36,938	54,425	60,282
– Over 60 days and within 90 days	10,555	10,609	21,726	28,517
– Over 90 days and within 180 days	14,962	9,180	22,778	32,761
– Over 180 days and within 360 days	2,982	6,471	6,420	7,333
– Over 360 days	2,108	2,549	2,879	161
	333,298	687,588	873,591	717,875

As at 31 December 2011, 2012, 2013 and 30 June 2014, the fair value of the trade receivables of the Group approximated their carrying amounts.

As at 31 December 2011, 2012, 2013 and 30 June 2014, the carrying amounts of the Group's trade receivables are all denominated in RMB.

The Group's trade receivables are primarily derived from sales through concessionaire stores and are generally collectible within 90 days from the invoice date. As at 31 December 2011, 2012, 2013 and 30 June 2014, trade receivables of RMB20,052,000, RMB18,200,000, RMB32,077,000 and RMB40,255,000 were past due but not impaired. Based on the past experience, the directors believe that no impairment allowance is necessary in respect of these pass-due trade receivables as there has not been a significant change in their credit quality and the balances are considered fully recoverable. These trade receivables relate to a number of independent debtors for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors.

The aging analysis of these trade receivables past due but not impaired at respective balance sheet dates is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
– Over 90 days and within 180 days	14,962	9,180	22,778	32,761
– Over 180 days and within 360 days	2,982	6,471	6,420	7,333
– Over 360 days	2,108	2,549	2,879	161
	20,052	18,200	32,077	40,255

As at 31 December 2013 and 30 June 2014, certain trade receivables with carrying amount of RMB11,664,000 and RMB3,157,000 were pledged for the Group's borrowings (Note 17).

Company

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
– Due from third parties (a)	309,021	358,537	308,235	400,611
– Due from subsidiaries (b)	5,813	169,502	480,825	256,680
	314,834	528,039	789,060	657,291

(a) The Company's trade receivables due from third parties are primarily derived from sales through concessionaire stores and are generally collectible within 90 days from the invoice date.

(b) As at 31 December 2011, 2012, 2013 and 30 June 2014, trade receivables of the Company due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

The aging analysis of trade receivables based on invoice date, as at 31 December 2011, 2012, 2013 and 30 June 2014 was as follows:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables, gross				
– Within 30 days	249,602	409,859	725,609	609,391
– Over 30 days and within 60 days	38,361	19,035	23,822	22,107
– Over 60 days and within 90 days	9,260	5,792	13,526	9,167
– Over 90 days and within 180 days	12,367	18,172	17,175	12,011
– Over 180 days and within 360 days	3,136	72,632	3,051	3,662
– Over 360 days	2,108	2,549	5,877	953
	314,834	528,039	789,060	657,291

As at 31 December 2011, 2012, 2013 and 30 June 2014, the fair value of the trade receivables of the Company approximated their carrying amounts.

As at 31 December 2011, 2012, 2013 and 30 June 2014, the carrying amounts of the Company's trade receivables are all denominated in RMB.

As at 31 December 2011, 2012, 2013 and 30 June 2014, trade receivables of RMB17,611,000, RMB93,353,000, RMB26,103,000 and RMB16,626,000 were past due but not impaired. Based on the past experience, the directors believed that no impairment allowance was necessary in respect of these pass-due trade receivables as there has not been a significant change in their credit quality and the balances were considered fully recoverable. These trade receivables relate to a number of independent debtors for whom there was no recent history of default. The Company does not hold any collateral as security over these debtors. The aging analysis of these trade receivables past due but not impaired at respective balance sheet dates is as follows:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
– Over 90 days and within 180 days	12,367	18,172	17,175	12,011
– Over 180 days and within 360 days	3,136	72,632	3,051	3,662
– Over 360 days	2,108	2,549	5,877	953
	17,611	93,353	26,103	16,626

As at 31 December 2013 and 30 June 2014, certain trade receivables with carrying amount of RMB11,664,000 and RMB3,157,000 were pledged for the Group's borrowings (Note 17).

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Group

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits	39,839	83,033	117,962	116,917
Prepayments for purchases of inventories	25,794	101,229	119,155	87,776
Staff advance	1,241	3,485	2,909	5,710
Bidding deposit for purchase of land use rights	–	2,800	–	10,000
Prepayment of listing expenses	–	–	5,868	15,447
Others	92	69	28	293
	66,966	190,616	245,922	236,143

As at 31 December 2011, 2012, 2013 and 30 June 2014, the fair value of the deposits, prepayments and other receivables of the Group, except for the prepayments which are not financial assets, approximated their carrying amounts.

As at 31 December 2011, 2012, 2013 and 30 June 2014, the carrying amounts of the Group's deposits, prepayments and other receivables are all denominated in RMB.

Company

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Receivables due from subsidiaries	63,591	281,806	826,809	1,248,022
Deposits	21,120	37,473	41,059	39,374
Prepayments for purchases of inventories	18,322	29,596	39,861	23,631
Staff advance	752	2,420	2,038	2,302
Prepayment of listing expenses	–	–	5,868	15,447
Dividends receivable from a subsidiary	–	–	–	110,000
Others	92	22	14	159
	103,877	351,317	915,649	1,438,935

As at 31 December 2011, 2012, 2013 and 30 June 2014, the fair value of the deposits, prepayments and other receivables of the Company, except for the prepayments which are not financial assets, approximated their carrying amounts.

As at 31 December 2011, 2012, 2013 and 30 June 2014, the carrying amounts of the Company's deposits, prepayments and other receivables are all denominated in RMB.

13 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Group

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand (a)	102,411	109,623	521,036	638,141
Less: restricted cash (b)	–	(1,009)	(486)	(325)
Cash and cash equivalents	102,411	108,614	520,550	637,816
Denominated in RMB (including restricted cash):				
– RMB	102,411	109,623	521,036	638,141

(a) All cash at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank, including restricted cash, at floating bank deposit rates.

(b) Restricted cash represents guarantee deposits held in a separate reserve account pledged to the bank for issuance of bill payables.

Company

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash at bank and in hand	79,174	78,152	473,489	540,241
Less: restricted cash	–	(1,009)	(486)	(325)
Cash and cash equivalents	79,174	77,143	473,003	539,916
Denominated in RMB (including restricted cash):				
– RMB	79,174	78,152	473,489	540,241

14 SHARE CAPITAL

Group and Company

	Number of ordinary shares	Paid-in capital/ Nominal value of ordinary shares
	(thousands)	**RMB'000**
As at 1 January 2011	n.a.	11,067
Ordinary shares of RMB1.00 each issued and allotted upon the Company converted into a joint stock company on 23 May 2011 (a)	210,000	198,933
As at 31 December 2011 and 2012	210,000	210,000
As at 1 January 2013	210,000	210,000
Increase in share capital by way of capitalisation of other reserves and retained earnings (b)	136,500	136,500
Issue of shares to an investor (c)	18,237	18,237
As at 31 December 2013 and 30 June 2014	364,737	364,737

(a) On 23 May 2011, the Company was converted into a joint stock company with limited liability by converting total equity as at 31 December 2010 into 210,000,000 ordinary shares of nominal value RMB1.00 each. Excess of total equity of the Company over the nominal value of total issued share capital with the amount of RMB6,571,000 has been recognised as "other reserves" in the consolidated balance sheets (Note 15(b)).

(b) On 7 February 2013, the Company increased its registered share capital from RMB210,000,000 to RMB346,500,000 by issuing of 136,500,000 new ordinary shares of RMB1.00 each. The newly issued ordinary shares were subscribed for by way of capitalisation of other reserves of RMB21,000,000 and retained earnings of RMB115,500,000 to share capital, which have the same characteristics with those previously issued.

(c) Pursuant to the subscription agreement entered into between Beijing Goldman Sachs Investment Centre (limited partnership) (北京高盛投資中心(有限合夥)), hereafter referred to as "Beijing Goldman Sachs") and the Company on 27 May 2013 (together with the supplemental contract dated 8 August 2013), Beijing Goldman Sachs acquired newly issued shares, which accounted for 5% equity interests in the Company at a cash consideration of RMB300,000,000. Excess of the cash consideration over the share capital with the amount of RMB281,763,000 was recognised as "other reserves" in the consolidated balance sheets (Note 15(b)).

15 OTHER RESERVES

Group

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Statutory reserve (a)	15,193	47,233	94,023	94,023
Capital reserve (b)	14,743	24,825	292,151	295,170
Excess of the cash consideration received over the share capital	6,571	6,571	281,763	281,763
Contributions from a shareholder by awarding its equity instruments to the employees	8,172	18,254	10,388	13,407
	29,936	72,058	386,174	389,193

(a) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the articles of association of the Company and its subsidiaries, it is required to appropriate 10% of the annual statutory net profits of the Company and its subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital of the Company and its subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital.

The movement of statutory reserve during the Relevant Periods are as follows:

	RMB'000
At 1 January 2011	9,229
Appropriation to statutory reserve	14,231
Converted into a joint stock company with limited liability on 23 May 2011 (Note 14(a))	(8,267)
At 31 December 2011	15,193
Appropriation to statutory reserve	32,040
At 31 December 2012	47,233
Appropriation to statutory reserve	46,790
At 31 December 2013	94,023
Appropriation to statutory reserve	–
At 30 June 2014	94,023

(b) Capital reserve

	Excess of the cash consideration received over the paid-in capital/share capital	Contributions from a shareholder by awarding its equity instruments to the employees (i) – (iv)	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2011	125,281	12,777	138,058
Converted into a joint stock company with limited liability on 23 May 2011 (Note 14(a))	(118,710)	(12,777)	(131,487)
Shanghai Hexia granted its equity instruments to the employees of the Group	–	8,172	8,172
At 31 December 2011	6,571	8,172	14,743
Shanghai Hexia granted its equity instruments to the employees of the Group	–	10,082	10,082
At 31 December 2012	6,571	18,254	24,825
Increase in share capital by way of capitalization of other reserves (Note 14(b))	(6,571)	(14,429)	(21,000)
Capital contributions from an investor (Note 14(c))	281,763	–	281,763
Shanghai Hexia granted its equity instruments to the employees of the Group	–	6,563	6,563
At 31 December 2013	281,763	10,388	292,151
Shanghai Hexia granted its equity instruments to the employees of the Group	–	3,019	3,019
At 30 June 2014	281,763	13,407	295,170

(i) Contributions from a shareholder by awarding its equity instruments to the employees

Shanghai Hexia, a company which was set up for the benefits of the Group's employees and holds certain equity interests in the Company, operates a series of share-based compensation plans in exchange for employee services to the Group. Details of the share-based compensation plans during the Relevant Periods are summarised as follows:

On 30 December 2009, Shanghai Hexia was established in the PRC by Mr. Xing Jiaxing and certain selected employees (the "Selected Employees"). The registered capital of Shanghai Hexia at that time was RMB500,000, which was paid up by Mr. Xing Jiaxing and the Selected Employees at the ratio of 32.79% and 67.21%. On 8 April 2010, Shanghai Hexia acquired 8.25% and 7% of the equity interests in the Company from two individuals and two financial investors, respectively. The cash considerations for these acquisitions of RMB17,113,000 were paid by Mr. Xing Jiaxing as a unilateral contribution to the existing equity owners of Shanghai Hexia. The proportion attributable to the Selected Employees was considered as management incentive.

In December 2010, Good Factor Limited ("Good Factor"), a financial investor transferred 5% and 3% of its equity interests in the Company to Mr. Xing Jiaxing and Shanghai Hexia, respectively, at nil consideration for the purpose of rewarding the chief executive and the Selected Employees for their contributions to the Group.

On 22 April 2011, Mr. Xing Jiaxing further transferred 15.49% of his existing equity interests in Shanghai Hexia to several employees (the "New Employees") of the Group at nil consideration as management incentive.

As at 31 December 2013 and 30 June 2014, certain Selected Employees and New Employees left the Company and settled the equity interests they held in Shanghai Hexia with Mr. Xing Jiaxing.

The percentage of equity interest in the Company indirectly held by the Selected Employees and New Employees through Shanghai Hexia during the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
Percentage of equity interest in the Company indirectly held by the Selected Employees and New Employees	8.97%	8.97%	7.76%	7.70%

(ii) Rights conferred to each of the employees who held equity interests in Shanghai Hexia and the vesting condition

Rights conferred to each of the employees who held equity interests in Shanghai Hexia included: (1) right of entitlement to dividends; (2) right to vote and participate in the general meeting; (3) right to appoint and replace members of board of directors; and (4) right to inspect the records relating to financing and investment decisions and arrangements of Shanghai Hexia.

The vesting condition of each of the share-based compensation plans is consistent and summarised as follow:

- If an employee leaves the Company within 24 months after the date of successful listing of the Company's shares on any stock exchange (the "Listing"), he/she will receive cash equal to the capital contribution amount to Shanghai Hexia;
- If an employee leaves the Company after 24 months but within 36 months after the Listing, he/she will receive cash equal to his/her attributable net assets value of the Group at that time;
- If an employee leaves the Company after 36 months but within 60 months after the Listing, 50% of his/her attributable equity interests in Shanghai Hexia will vest; and
- If an employee completes 60 months service period after the Listing, 100% of his/her attributable equity interests in Shanghai Hexia will vest.

(iii) Fair value estimation of share-based compensation plans

As a private company with no quoted market of the Company's equity instruments, the Company needs to estimate the fair value of its equity interests at the relevant grant dates. The discounted cash flow method under the income approach has been applied in the determination of the fair value of the equity interests in the Company. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

The fair value as at the grant dates of each of the share-based compensation plans are summarised as follows:

	RMB'000
Granted to the Selected Employees by Mr. Xing Jiaxing on 2 April 2010	24,226
Granted to Mr. Xing Jiaxing by Good Factor on 19 October 2010	9,354
Granted to the Selected Employees by Good Factor on 19 October 2010	7,526
Granted to the New Employees by Mr. Xing Jiaxing on 22 April 2011	40,754

(iv) Accounting treatment of the share-based compensation plans

The employee may choose the method of settlement, either cash-settled or equity-settled, depending on the length of his/her service period. Accordingly, the share-based compensation plans were accounted for as compound financial instruments in the financial statements of Shanghai Hexia. As the Company received the benefits associated with the services of these employees, the share-based compensation charges were pushed down to the Company during the vesting period and recorded as an expense in the consolidated statements of comprehensive income, with a corresponding contribution from Shanghai Hexia which increased the capital reserve of the Company.

During the Relevant Periods, expenses arising from the share-based compensation plans have been charged in the consolidated statements of comprehensive income (Note 24) as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Administrative expenses	6,488	7,654	4,171	3,827	2,440
Selling and marketing expenses	1,684	2,428	2,392	1,214	579
	8,172	10,082	6,563	5,041	3,019

Company

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve	14,224	31,323	44,606	44,606
Capital reserve	14,743	24,825	292,151	295,170
Excess of the cash consideration received over the share capital	6,571	6,571	281,763	281,763
Contributions from a shareholder by awarding its equity instruments to the employees	8,172	18,254	10,388	13,407
	28,967	56,148	336,757	339,776

16 RETAINED EARNINGS

Group and Company

	Group	Company
	RMB'000	RMB'000
As at 1 January 2011	66,146	59,179
Profit for the year	127,243	142,242
Appropriation to statutory reserve (Note 15(a))	(14,231)	(14,224)
Converted into a joint stock company with limited liability on 23 May 2011 (Note 14(a))	(59,179)	(59,179)
As at 31 December 2011	119,979	128,018
Profit for the year	259,905	170,991
Appropriation to statutory reserve (Note 15(a))	(32,040)	(17,099)
Dividends declared (Note 30)	(61,490)	(61,490)
As at 31 December 2012	286,354	220,420
Profit for the year	407,298	132,823
Appropriation to statutory reserve (Note 15(a))	(46,790)	(13,283)
Dividends declared (Note 30)	(25,000)	(25,000)
Increase in share capital by way of capitalization of retained earnings (Note 14(b))	(115,500)	(115,500)
As at 31 December 2013	506,362	199,460
Profit for the period	226,335	115,384
Dividends declared (Note 30)	(142,247)	(142,247)
As at 30 June 2014	590,450	172,597

17 BORROWINGS

Group

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Bank borrowings – secured or guaranteed	–	–	–	30,000
Current				
Bank borrowings – secured or guaranteed	101,000	370,000	450,000	122,700
Bank borrowings – unsecured	5,000	55,000	330,000	864,900
	106,000	425,000	780,000	987,600
	106,000	425,000	780,000	1,017,600

The Group's borrowings are denominated in RMB.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less	Between 6 and 12 months	Between 1 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2011	106,000	–	–	106,000
As at 31 December 2012	425,000	–	–	425,000
As at 31 December 2013	780,000	–	–	780,000
As at 30 June 2014	1,017,600	–	–	1,017,600

The maturity of the borrowings is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
On demand or within 1 year	106,000	425,000	780,000	987,600
Between 1 and 2 years	–	–	–	30,000
	106,000	425,000	780,000	1,017,600

The weighted average effective interest rates at each balance sheet date were as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
Borrowing – current	6.34%	6.54%	5.98%	6.02%
Borrowing – non-current	n.a	n.a	n.a	6.77%

The fair value of the borrowings equals their carrying amount due to their short maturities.

The Group had the following undrawn bank borrowing facilities:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Facilities in RMB	5,000	499,913	560,290	822,400

As at 31 December 2011, 2012, 2013 and 30 June 2014, bank borrowings were secured or guaranteed by:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Secured by trade receivables (i)	–	–	300,000	112,700
Secured by land use rights (ii)	–	–	–	12,000
Secured by property, plant and equipment (iii)	–	–	–	28,000
Guaranteed by Mr. Xing Jiaxing	96,000	350,000	150,000	–
Jointly guaranteed by Mr. Xing Jiaxing and independent third parties	5,000	20,000	–	–
	101,000	370,000	450,000	152,700

(i) The bank borrowings of RMB112,700,000 were secured by certain accounts receivables (Note 11) of the Group, with a carrying amount of RMB3,157,000 as at 30 June 2014;

The bank borrowings of RMB300,000,000 were secured by certain accounts receivables (Note 11) of the Group, with a carrying amount of RMB11,664,000 as at 31 December 2013;

(ii) The bank borrowings of RMB12,000,000 were secured by certain land use rights (Note 7) of the Group, with a carrying amount of RMB15,779,000 as at 30 June 2014;

(iii) The bank borrowings of RMB28,000,000 were secured by certain construction in progress (Note 6) of the Group, with a carrying amount of RMB128,369,000 as at 30 June 2014.

Company

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank borrowings – secured or guaranteed	100,000	370,000	640,000	537,600
Bank borrowings – unsecured	–	45,000	140,000	390,000
	100,000	415,000	780,000	927,600

The Company's borrowings are denominated in RMB.

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less	Between 6 and 12 months	Between 1 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2011	100,000	–	–	100,000
As at 31 December 2012	415,000	–	–	415,000
As at 31 December 2013	780,000	–	–	780,000
As at 30 June 2014	927,600	–	–	927,600

The maturity of the borrowings is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
On demand or within 1 year	100,000	415,000	780,000	927,600

The weighted average effective interest rates at each balance sheet date were as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
Weighted average effective interest rate	6.17%	6.52%	5.98%	6.07%

The fair value of the borrowings equals their carrying amount due to their short maturities.

The Company had the following undrawn bank borrowing facilities:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Facilities in RMB	5,000	499,913	560,290	752,400

During the Relevant Periods, bank borrowings were secured or guaranteed by:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Jointly guaranteed by Mr. Xing Jiaxing and certain subsidiaries	90,000	220,000	150,000	–
Jointly guaranteed by Mr. Xing Jiaxing, a subsidiary and independent third parties	5,000	20,000	–	–
Guaranteed by a subsidiary	5,000	10,000	190,000	424,900
Guaranteed by Mr. Xing Jiaxing	–	120,000	–	–
Secured by trade receivables and guaranteed by a subsidiary	–	–	300,000	–
Secured by trade receivables	–	–	–	112,700
	100,000	370,000	640,000	537,600

18 TRADE AND BILL PAYABLES

Group

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Bill payables (a)	135,211	237,863	597,470	263,553
Trade payables (b)	215,475	556,333	317,755	259,887
	350,686	794,196	915,225	523,440

As at 31 December 2011, 2012, 2013 and 30 June 2014, trade and bill payables of the Group were non-interest bearing, and their fair value approximate their carrying amounts due to their short maturities.

As at 31 December 2011, 2012, 2013 and 30 June 2014, trade and bill payables were denominated in RMB.

(a) The aging of bill payables was normally 60 days.

(b) The aging analysis of the trade payables, which were trade in nature, was as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– Within 30 days	28,803	71,296	51,732	79,866
– Over 30 days and within 60 days	133,747	141,275	130,000	94,293
– Over 60 days and within 90 days	39,198	224,680	102,085	40,197
– Over 90 days and within 180 days	7,835	112,051	29,479	19,836
– Over 180 days and within 360 days	4,309	7,031	1,149	21,915
– Over 360 days	1,583	–	3,310	3,780
	215,475	556,333	317,755	259,887

Company

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Bill payables (a)	126,435	61,702	263,203	163,992
Trade payables (b)	203,290	338,258	322,028	292,954
– Due to subsidiaries	–	34,962	172,441	121,098
– Due to third parties	203,290	303,296	149,587	171,856
	329,725	399,960	585,231	456,946

As at 31 December 2011, 2012, 2013 and 30 June 2014, trade and bill payables of the Company were non-interest bearing, and their fair value approximate their carrying amounts due to their short maturities.

As at 31 December 2011, 2012, 2013 and 30 June 2014, trade and bill payables were denominated in RMB.

(a) The aging of bill payables was normally 60 days.

(b) The aging analysis of the trade payables, which were trade in nature, was as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– Within 30 days	27,834	55,549	41,554	120,662
– Over 30 days and within 60 days	128,594	79,338	153,353	77,251
– Over 60 days and within 90 days	34,883	118,414	102,216	59,706
– Over 90 days and within 180 days	6,641	80,647	21,270	21,963
– Over 180 days and within 360 days	3,755	4,310	1,081	8,200
– Over 360 days	1,583	–	2,554	5,172
	203,290	338,258	322,028	292,954

19 OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

Group

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Payables for purchases of property, plant and equipment	77,811	148,163	337,311	232,741
Payables for purchases of intangible assets	–	–	1,958	–
Liabilities linked to operating leases (Note 2.17(b))	34,817	101,392	165,029	178,766
Staff salaries and welfare payables	52,417	118,266	172,394	155,102
Accrued taxes other than income tax	48,597	53,529	37,285	70,788
Advance from customers	166	–	–	–
Interest payables	180	775	1,218	1,596
Customers' deposits	4,350	7,817	21,830	22,198
Payables for listing expenses	–	–	3,005	6,378
Other accrued expenses and payables	8,704	13,977	33,534	21,048
Dividends payable	–	31,500	5,344	–
	227,042	475,419	778,908	688,617

As at 31 December 2011, 2012, 2013 and 30 June 2014, all other payables, accruals and other current liabilities of the Group were non-interest bearing, and their fair value, except for the advance from customers and accrued taxes other than income tax which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at 31 December 2011, 2012, 2013 and 30 June 2014, other payables, accruals and other current liabilities were denominated in RMB.

Company

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Payables due to subsidiaries	–	11,690	461,125	915,173
Payables for purchases of property, plant and equipment	60,058	42,203	93,293	69,590
Payables for purchases of intangible assets	–	–	1,958	–
Liabilities linked to operating leases (Note 2.17(b))	18,878	37,595	39,370	44,443
Staff salaries and welfare payables	49,584	66,833	71,408	67,035
Accrued taxes other than income tax	54,144	27,847	16,530	31,817
Advance from customers	82	–	–	–
Interest payables	165	754	1,218	1,520
Customers' deposits	4,170	4,785	10,531	11,722
Payables for listing expenses	–	–	3,005	6,378
Other accrued expenses and payables	8,797	11,302	16,641	10,440
Dividends payable	–	31,500	5,344	–
	195,878	234,509	720,423	1,158,118

As at 31 December 2011, 2012, 2013 and 30 June 2014, all other payables, accruals and other current liabilities of the Company were non-interest bearing, and their fair value, except for the advance from customers and accrued taxes other than income tax which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at 31 December 2011, 2012, 2013 and 30 June 2014, other payables, accruals and other current liabilities were denominated in RMB.

20 DEFERRED INCOME

Group

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Government incentives (a)	600	1,400	1,400	605
Incentives to compensate the costs for leasehold improvements (b)	1,424	1,153	6,744	9,996
	2,024	2,553	8,144	10,601
Non-Current				
Incentives to compensate the costs for leasehold improvements (b)	1,029	3,641	6,725	16,595
Deferred income	3,053	6,194	14,869	27,196

(a) Government incentives

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	600	600	1,400	1,400
– Additions	–	1,800	–	1,155
– Credited to the consolidated statements of comprehensive income (Note 22)	–	(1,000)	–	(1,950)
At end of the year/period	600	1,400	1,400	605

The Company received government incentives from local governments as support on expenses relating to certain brands. When the required criteria set by the local governments for such incentives are met, the portion of the qualified funds is recognised as "other gains – net" and the remaining balance is recorded as deferred income. As the deferred income is estimated to recognise in the consolidated statements of comprehensive income within the next 12 months from the balance sheet date, it is classified as current liabilities.

(b) Incentives to compensate the costs for leasehold improvements

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	756	2,453	4,794	13,469
– Additions	2,596	4,249	12,435	17,894
– Credited to the consolidated statements of comprehensive income (Note 22)	(899)	(1,908)	(3,760)	(4,772)
At end of the year/period	2,453	4,794	13,469	26,591

Certain lessors provided incentives to the Group to compensate the costs for leasehold improvements. The Group recognised the aggregate benefit of incentives as a reduction of "operating lease rentals" over the lease term on a straight-line basis. The current portion of incentives is estimated based on the expected reduction of "operating lease rentals" to be recognised within the next 12 months from the reporting date, the remaining balance is recorded as non-current portion.

Company

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Government incentives (a)	600	1,400	1,400	–
Incentives to compensate the costs for leasehold improvements (b)	1,192	686	1,473	1,737
	1,792	2,086	2,873	1,737
Non-Current				
Incentives to compensate the costs for leasehold improvements (b)	827	987	882	892
Deferred income	2,619	3,073	3,755	2,629

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Government incentives				
At beginning of the year/period	600	600	1,400	1,400
– Additions	–	1,800	–	550
– Credited to the consolidated statements of comprehensive income	–	(1,000)	–	(1,950)
At end of the year/period	600	1,400	1,400	–
Incentives to compensate the costs for leasehold improvements				
At beginning of the year/period	756	2,019	1,673	2,355
– Additions	2,130	1,125	2,177	1,291
– Credited to the consolidated statements of comprehensive income	(867)	(1,471)	(1,495)	(1,017)
At end of the year/period	2,019	1,673	2,355	2,629

21 REVENUE

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Retail	1,859,613	3,871,410	6,225,087	2,799,929	3,510,764
Wholesale distribution	4,554	708	–	–	–
	1,864,167	3,872,118	6,225,087	2,799,929	3,510,764

22 OTHER GAINS – NET

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gain/(loss) on disposal of property, plant and equipment – net	438	(129)	64	(13)	(848)
Government incentives	684	13,270	27,295	–	6,111
Relating to income (a)	684	12,270	27,295	–	4,161
Relating to items with attached conditions (Note 20(a))	–	1,000	–	–	1,950
Others	49	(462)	4,278	883	43
	1,171	12,679	31,637	870	5,306

(a) Government incentives received primarily include the financial subsidies received from local Finance Bureau of RMB8,300,000 during the year ended 31 December 2012, tax refunds of RMB22,440,000 during the year ended 31 December 2013.

23 EXPENSES BY NATURE

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Costs of inventories recognized as expenses included in costs of sales (Notes 10)	522,825	1,033,277	1,803,758	795,882	989,001
Employee benefit expenses (Note 24)	334,376	763,249	1,284,358	605,282	780,008
Utilities and electricity	38,869	95,013	145,097	78,286	81,262
Depreciation (Note 6)	57,827	139,782	300,758	138,672	164,758
Marketing and promotion expenses	24,453	39,252	53,030	28,306	32,468
Operating lease rentals	616,497	1,259,802	1,738,475	753,780	944,769
– concessionaire fees	481,521	958,755	1,189,856	505,231	641,128
– rental and store maintenance fee	134,976	301,047	548,619	248,549	303,641
Logistic expenses	19,167	29,376	42,369	18,599	17,393
Costs of low value materials	24,470	44,552	62,318	20,015	21,549
Sample expenses	6,057	7,334	8,214	3,958	3,875
Taxes and levis	16,395	26,370	47,961	23,256	35,301
Travelling and communication expenses	10,154	17,050	23,979	10,746	14,252
Consulting expenses	3,133	4,511	16,291	11,063	14,379
Amortization of land use rights (Note 7)	–	–	243	81	162
Bank charges and point-of-sale device processing fees	7,665	16,719	29,469	13,611	16,253
Amortization of intangible assets (Note 8)	268	3,058	7,326	3,132	5,034
Auditor's remuneration	700	700	350	125	175
Write-down of inventories to net realisable value (Note 10)	8,417	35,984	92,059	50,777	59,482
Listing expenses	–	–	7,295	–	2,229
Miscellaneous	3,780	4,291	3,844	682	916
Total cost of sales, selling and marketing and administrative expenses	1,695,053	3,520,320	5,667,194	2,556,253	3,183,266

24 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages, salaries and bonuses	268,609	604,659	1,058,603	514,549	631,891
Contribution to pension plan (a)	25,997	70,774	103,305	38,127	72,753
Housing fund, medical insurance and other social insurance (b)	31,598	77,734	115,887	47,565	72,345
Share–based compensation plan (Note 15(b))	8,172	10,082	6,563	5,041	3,019
	334,376	763,249	1,284,358	605,282	780,008

(a) As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group contributes 14% to 22% of such relevant income (comprising wages, salaries and bonuses, and subject to maximum caps), subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(b) Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on approximately 11% to 28% of the relevant income (comprising wages, salaries and bonuses) of the employees, subject to maximum caps. The Group's liability in respect of these funds is limited to the contributions payable in each period.

25 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENTS' EMOLUMENTS

(a) Directors and supervisors' emoluments

Directors and supervisors' emoluments for the Relevant Periods are set out as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors' fees	240	360	440	190	240
Wages, salaries and bonuses	3,199	4,851	4,116	2,214	2,181
Contribution to pension plan	150	179	155	86	57
Housing fund, medical insurance and other social insurance	152	177	146	86	57
Share-based compensation plan (Note 15(b))	3,328	3,486	533	846	199
	7,069	9,053	5,390	3,422	2,734

No director or supervisor has waived or agreed to waive any emoluments during the Relevant Periods.

Directors and supervisors' emoluments are set out below:

	Directors' fees	Wages, salaries and bonuses	Contribution to pension plan	Housing fund, medical insurance and other social insurance	Share–based compensation plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011						
Executive Directors						
Xing Jiaxing (邢加興) (i)	–	906	30	31	337	1,304
Zhang Danling (章丹玲) (ii)	–	690	30	31	1,959	2,710
Ji Liming (季麗鳴) (iv) (xv)	–	903	30	30	836	1,799
Non-executive Directors						
Li Jiaqing (李家慶) (xii)	–	–	–	–	–	–
Lu Weiming (陸衛明) (xii)	–	–	–	–	–	–
Cao Wenhai (曹文海) (xii)	–	–	–	–	–	–
Independent Non-executive Directors						
Mao Jianong (毛嘉農) (vii)	80	–	–	–	–	80
Hu Baihe (胡柏和) (viii)	80	–	–	–	–	80
Chen Wei (陳巍) (vii)	80	–	–	–	–	80
Supervisors						
Tang Zhen (唐震) (xi) (xv)	–	180	30	30	196	436
Xie Hong (謝宏) (xi) (xv)	–	520	30	30	–	580
Yang Lin (楊琳) (xi)	–	–	–	–	–	–
	240	3,199	150	152	3,328	7,069

	Directors' fees	Wages, salaries and bonuses	Contribution to pension plan	Housing fund, medical insurance and other social insurance	Share–based compensation plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012						
Executive Directors						
Xing Jiaxing (邢加興) (i)	–	1,197	33	33	337	1,600
Zhang Danling (章丹玲) (ii)	–	630	30	30	1,796	2,486
Ji Liming (季麗鳴) (iv)	–	1,091	33	33	1,157	2,314
Wang Yong (王勇) (iii) (xv)	–	856	26	25	–	907
Non-executive Directors						
Li Jiaqing (李家慶) (xii)	–	–	–	–	–	–
Lu Weiming (陸衛明) (xii)	–	–	–	–	–	–
Cao Wenhai (曹文海) (xii)	–	–	–	–	–	–
Independent Non-executive Directors						
Mao Jianong (毛嘉農) (vii)	120	–	–	–	–	120
Hu Baihe (胡柏和) (viii)	120	–	–	–	–	120
Chen Wei (陳巍) (vii)	120	–	–	–	–	120
Supervisors						
Tang Zhen (唐震) (xi)	–	264	24	23	196	507
Xie Hong (謝宏) (xi)	–	813	33	33	–	879
Yang Lin (楊琳) (xi)	–	–	–	–	–	–
	360	4,851	179	177	3,486	9,053

	Directors' fees	Wages, salaries and bonuses	Contribution to pension plan	Housing fund, medical insurance and other social insurance	Share–based compensation plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2013						
Executive Directors						
Xing Jiaxing (邢加興) (i)	–	1,018	36	34	337	1,425
Ji Liming (季麗鳴) (iv)	–	321	12	11	–	344
Wang Yong (王勇) (iii)	–	997	36	34	–	1,067
Shi Hai (石海) (v) (xv)	–	724	35	33	–	792
Non-executive Directors						
Li Jiaqing (李家慶) (xii)	–	–	–	–	–	–
Lu Weiming (陸衛明) (xii)	–	–	–	–	–	–
Cao Wenhai (曹文海) (xii)	–	–	–	–	–	–
Liu Qing (柳青) (vi)	–	–	–	–	–	–
Independent Non-executive Directors						
Mao Jianong (毛嘉農) (vii)	120	–	–	–	–	120
Hu Baihe (胡柏和) (viii)	70	–	–	–	–	70
Chen Wei (陳巍) (vii)	120	–	–	–	–	120
Zhou Guoliang (周國良) (ix)	80	–	–	–	–	80
Law Japhet Sebastian (羅文鈺) (x)	50	–	–	–	–	50
Supervisors						
Tang Zhen (唐震) (xi)	–	310	–	–	196	506
Xie Hong (謝宏) (xi)	–	746	36	34	–	816
Yang Lin (楊琳) (xi)	–	–	–	–	–	–
	440	4,116	155	146	533	5,390

	Directors' fees	Wages, salaries and bonuses	Contribution to pension plan	Housing fund, medical insurance and other social insurance	Share-based compensation plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2014						
Executive Directors						
Xing Jiaxing (邢加興) (i)	–	664	18	18	126	826
Wang Yong (王勇) (iii)	–	662	18	18	–	698
Hu Gang (胡剛) (xiv)	–	98	3	3	–	104
Non-executive Directors						
Li Jiaqing (李家慶) (xii)	–	–	–	–	–	–
Lu Weiming (陸衛明) (xii)	–	–	–	–	–	–
Cao Wenhai (曹文海) (xii)	–	–	–	–	–	–
Liu Qing (柳青) (vi)	–	–	–	–	–	–
Independent Non-executive Directors						
Mao Jianong (毛嘉農) (vii)	60	–	–	–	–	60
Chen Wei (陳巍) (vii)	60	–	–	–	–	60
Zhou Guoliang (周國良) (ix)	60	–	–	–	–	60
Law Japhet Sebastian (羅文鈺) (x)	60	–	–	–	–	60
Supervisors						
Tang Zhen (唐震) (xi)	–	182	–	–	73	255
Xie Hong (謝宏) (xi)	–	475	18	18	–	511
Yang Lin (楊琳) (xi)	–	–	–	–	–	–
Zhang Xueqing (張學慶) (xiii)	–	50	–	–	–	50
Zhang Tao (張濤) (xiii)	–	50	–	–	–	50
	240	2,181	57	57	199	2,734
(Unaudited)						
Six months ended 30 June 2013						
Executive Directors						
Xing Jiaxing (邢加興) (i)	–	495	18	18	169	700
Ji Liming (季麗鳴) (iv)	–	377	15	15	579	986
Wang Yong (王勇) (iii)	–	478	18	18	–	514
Shi Hai (石海) (v) (xv)	–	346	17	17	–	380
Non-executive Directors						
Li Jiaqing (李家慶) (xii)	–	–	–	–	–	–
Lu Weiming (陸衛明) (xii)	–	–	–	–	–	–
Cao Wenhai (曹文海) (xii)	–	–	–	–	–	–
Liu Qing (柳青) (vi)	–	–	–	–	–	–
Independent Non-executive Directors						
Mao Jianong (毛嘉農) (vii)	60	–	–	–	–	60
Hu Baihe (胡柏和) (viii)	60	–	–	–	–	60
Chen Wei (陳巍) (vii)	60	–	–	–	–	60
Zhou Guoliang (周國良) (ix)	10	–	–	–	–	10
Law Japhet Sebastian (羅文鈺) (x)	–	–	–	–	–	–
Supervisors						
Tang Zhen (唐震) (xi)	–	154	–	–	98	252
Xie Hong (謝宏) (xi)	–	364	18	18	–	400
Yang Lin (楊琳) (xi)	–	–	–	–	–	–
	190	2,214	86	86	846	3,422

(i) Mr. Xing Jiaxing was the chief executive officer during the Relevant Periods.

(ii) Ms. Zhang Danling resigned as an executive director in November 2012.

(iii) Mr. Wang Yong was appointed as an executive director since November 2012.

(iv) Ms. Ji Liming resigned as an executive director in May 2013.

(v) Mr. Shi Hai was appointed as an executive director since May 2013 and resigned as an executive director in June 2014.

(vi) Ms. Liu Qing was appointed as a non-executive director since May 2013 and resigned as non-executive director in June 2014.

(vii) Mr. Mao Jianong and Mr. Chen Wei were appointed as independent non-executive directors since May 2011.

(viii) Mr. Hu Baihe was appointed as an independent non-executive director since May 2011. He resigned as an independent non-executive director in August 2013 as he felt his expertise could not be fully utilised any more following the Company's termination of its application for listing on the Shanghai Stock Exchange in June 2013.

(ix) Mr. Zhou Guoliang was appointed as an independent non-executive director since May 2013.

(x) Mr. Law Japhet Sebastian was appointed as an independent non-executive director since August 2013.

(xi) Mr. Tang Zhen, Ms. Xie Hong and Ms. Yang Lin were appointed as supervisors since May 2011.

(xii) Mr. Li Jiaqing, Mr. Lu Weiming and Cao Wenhai were appointed as non-executive directors since May 2011.

(xiii) Mr. Zhang Xueqing and Mr. Zhang Tao were appointed as supervisors since February 2014.

(xiv) Mr. Hu Gang was appointed as an executive director since June 2014.

(xv) The directors and supervisors were also employees of the Group and the Group paid employee emoluments to them in their capacity as employees before their respective appointments as directors or supervisors during the Relevant Periods.

(xvi) Ms. Wang Haitong was appointed as a non-executive director since July 2014.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included three directors for the year ended 31 December 2011, 2012 and the six months ended 30 June 2013, and two directors for the year ended 31 December 2013 and the six months ended 30 June 2014. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages, salaries and bonuses	1,167	1,624	2,218	670	1,560
Contribution to pension plan	55	66	99	30	54
Housing fund, medical insurance and other social insurance	55	66	94	30	54
Share-based compensation plan (Note 15(b))	999	1,349	3,473	1,559	1,206
	2,276	3,105	5,884	2,289	2,874

The emoluments fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Emolument bands:					
Nil to HK$1,000,000 (equivalent to RMB792,000)	1	–	–	–	1
HK$1,000,000 to HK$1,500,000 (equivalent to RMB792,000 to RMB1,187,000)	–	1	1	1	1
HK$1,500,000 to HK$2,000,000 (equivalent to RMB1,187,000 to RMB1,583,000)	1	–	–	1	1
HK$2,500,000 to HK$3,000,000 (equivalent to RMB1,979,000 to RMB2,375,000)	–	1	1	–	–
HK$3,000,000 to HK$3,500,000 (equivalent to RMB2,375,000 to RMB2,770,000)	–	–	1	–	–
	2	2	3	2	3

During the Relevant Periods, no director, supervisor or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

26 FINANCE COSTS – NET

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance income					
– Interest income derived from bank deposits	(459)	(347)	(1,937)	(459)	(2,650)
Finance cost					
– Interest on bank borrowings	2,294	13,575	39,402	17,909	29,783
Less: capitalised interest during the year/period	–	–	(1,327)	–	(2,821)
– Interest expense on bank borrowings	2,294	13,575	38,075	17,909	26,962
Finance costs – net	1,835	13,228	36,138	17,450	24,312

27 TAXATION

(a) Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current income tax	61,164	129,182	189,421	73,949	84,180
Deferred income tax (Note 9)	(15,681)	(37,488)	(49,402)	(15,902)	(6,293)
Income tax expense	45,483	91,694	140,019	58,047	77,887

PRC corporate income tax ("CIT")

The income tax provision of the Company and its subsidiaries was calculated at the tax rate of 25% on the estimated assessable profits for each of the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the statutory CIT rates applicable to Relevant Periods as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	168,450	351,249	553,392	227,096	308,492
Tax calculated at statutory tax rates applicable to each group entity	42,109	87,813	138,348	56,774	77,124
Tax effect of:					
Expenses not deductible for tax purpose (i)	3,374	3,881	1,671	1,273	763
Tax charge	45,483	91,694	140,019	58,047	77,887

(i) Expense not deductible for tax purpose primarily include share-based compensation expenses, expense not qualified for tax deduction purpose and welfare and entertainment expenses exceeding the tax deduction limits under the CIT Law.

(b) Value-added tax ("VAT") and related taxes

The Group's revenues are subject to output VAT generally calculated at 3% or 17% of the selling prices pursuant to different circumstances. Input credit relating to input VAT paid on purchases can be used to offset the output VAT. The Group is also subject to city construction tax, educational surcharge, local educational surcharge and river management fee based on 5% to 7%, 3%, 2% and 1% of the net VAT payable.

28 PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

The profit attributable to equity owners of the Company is dealt with in the financial statements of the Company to the extent of RMB142,242,000, RMB170,991,000, RMB132,823,000, RMB58,111,000 and RMB115,384,000 for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2013 and 2014.

29 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity owners of the Company by the deemed weighted average number of ordinary shares in issue during the year/period.

The basic earnings per share for the year ended 31 December 2011 is calculated based on the profit attributable to the equity owners of the Company and on the assumption that 210,000,000 shares issued upon the conversion of the Company from a limited liability company to a joint stock company with limited liability had been in issue since 1 January 2011 (the earliest date presented in this report).

In addition to the above assumption, the 136,500,000 shares issued and fully paid by way of capitalization of other reserves and retained earnings in January 2013 have been regarded as if these shares were in issue since 1 January 2011 (the earliest date presented in this report).

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit attributable to equity owners of the Company (RMB'000)	127,243	259,905	407,298	169,049	226,335
Weighted average number of ordinary shares in issue (thousand)	346,500	346,500	355,993	347,100	364,737
Basic earnings per share (RMB)	0.37	0.75	1.14	0.49	0.62

30 DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends declared by the Company	–	61,490	25,000	–	142,247

The dividend of RMB0.1428 per share in respect of 2011, amounting to a total dividend of RMB29,990,000 was approved at the shareholders' meeting of the Company on 25 February 2012. It has been reflected as an appropriation of retained earnings for the year ended 31 December 2012 and paid out in 2012.

The dividend of RMB0.0909 per share in respect of 2012, amounting to a total dividend of RMB31,500,000 was approved at the shareholders' meeting of the Company on 9 November 2012. It has been reflected as an appropriation of retained earnings for the year ended 31 December 2012 and paid out in 2013.

The dividend of RMB0.0685 per share in respect of the six months ended 30 June 2013, amounting to a total dividend of RMB25,000,000 was approved at the shareholders' meeting of the Company on 22 July 2013. It has been reflected as an appropriation of retained earnings for the year ended 31 December 2013 and RMB19,656,000 was paid out in 2013 and RMB5,344,000 was paid out subsequently in March 2014.

The dividend of RMB0.39 per share in respect of 2013, amounting to a total dividend of RMB142,247,000 was approved at the shareholders' meeting of the Company on 16 February 2014. It has been reflected as an appropriation of retained earnings for the six months ended 30 June 2014 and paid out in 2014.

31 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period before income tax	168,450	351,249	553,392	227,096	308,492
Adjustments for:					
– Depreciation of property, plant and equipment (Note 6)	57,827	139,782	300,758	138,672	164,758
– Amortization of land use rights (Note 7)	–	–	243	81	162
– Amortization of intangible assets (Note 8)	268	3,058	7,326	3,132	5,034
– Write-down of inventories to the net realisable value (Note 10)	6,336	30,049	70,507	37,795	47,415
– Finance costs (Note 26)	2,294	13,575	38,075	17,909	26,962
– Share-based compensation plan (Note 15(b))	8,172	10,082	6,563	5,041	3,019
– (Gain)/loss on disposal of property, plant and equipment (Note 22)	(438)	129	(64)	13	848
	242,909	547,924	976,800	429,739	556,690
Changes in working capital:					
– (Increase)/decrease in trade receivables	(183,172)	(354,290)	(186,003)	72,424	155,716
– (Increase)/decrease in deposits, prepayments and other receivables	(39,182)	(120,850)	(52,238)	(143,343)	19,358
– (Increase)/decrease in inventories	(165,751)	(458,873)	(536,528)	1,478	34,503
– Increase/(decrease) in trade and bill payables	165,033	443,510	121,029	(307,492)	(391,785)
– Increase in other payables, accruals and other liabilities	99,393	145,930	138,096	61,676	17,830
– Increase in deferred income	1,697	3,141	8,675	1,959	12,327
– Cash generated from operations	120,927	206,492	469,831	116,441	404,639

(b) Proceeds from disposal of property, plant and equipment

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net book amount (Note 6)	217	395	310	13	1,809
Gain/(loss) on disposal of property, plant and equipment (Note 22)	438	(129)	64	(13)	(848)
Proceeds from disposal of property, plant and equipment	655	266	374	–	961

32 CONTINGENCIES

As at 31 December 2011, 2012, 2013 and 30 June 2014, the Group did not have any significant contingent liabilities.

33 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at each balance sheet date, but not yet incurred is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	2,108	17,206	64,761	34,961
Intangible assets	8,110	4,203	23,000	–
	10,218	21,409	87,761	34,961

The Group's capital commitments with respect to purchase of property, plant and equipment mainly related to the decorating of the new retail points and the contractual obligations relating to the development of the warehousing and logistics centre in Taicang, Jiangsu Province.

(b) Operating lease commitments

As at 31 December 2011, 2012, 2013 and 30 June 2014, the future aggregate minimum lease payments in respect of buildings under non-cancellable operating leases were as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	85,835	252,728	402,360	402,581
Later than 1 year and no later than 5 years	314,148	835,928	1,154,872	1,054,908
Later than 5 years	32,677	241,136	411,074	329,333
	432,660	1,329,792	1,968,306	1,786,822

Generally, the Group's operating leases are for terms of 2 to 6 years.

The actual payments in respect of certain operating leases are calculated at a certain percentage of sales of the respective department stores or at the higher of the minimum commitments as noted above and the amounts determined based on a percentage of the sales of the department stores.

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Relevant Periods, and balances arising from related party transactions as at 31 December 2011, 2012, 2013 and 30 June 2014.

(a) Name and relationship with related parties

	Relationship with the Group
Mr. Xing Jiaxing	Founder and one of the controlling shareholders
Good Factor	Shareholder of the Company
Boxin First Phase (Tianjin) Equity Fund Partnership (Limited Partnership) (博信一期(天津)股權投資基金合夥企業(有限合夥)) ("Boxin First Phase")	Shareholder of the Company
Shanghai Hexia	Founder and one of the controlling shareholders
Shanghai Ronggao Venture Capital Co., Ltd. (上海融高創業投資有限公司)	Shareholder of the Company

(b) Transactions with related parties

Save as disclosed in Note 17 and Note 30 or elsewhere in this report, during the Relevant Periods, the Group had no other significant transactions with related parties.

The financial guarantee provided by Mr. Xing Jiaxing to the Group as stated in Note 17 was subsequently released in March 2014.

(c) Balances with related parties

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Dividends payable due to:				
Mr. Xing Jiaxing	–	12,898	–	–
Good Factor	–	7,875	5,344	–
Boxin First Phase	–	4,270	–	–
Shanghai Hexia	–	4,109	–	–
Shanghai Ronggao Venture Capital Co., Ltd	–	1,708	–	–
	–	30,860	5,344	–

The dividends payable due to related parties were unsecured, non-interest bearing and repayable on demand.

(d) Key management compensation

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages, salaries and bonuses	5,770	8,559	9,136	4,155	6,742
Contribution to pension plan	280	335	370	179	209
Housing fund, medical insurance and other social insurance	282	332	361	179	220
Share-based compensation plan (Note 15(b))	4,651	5,194	4,202	2,599	1,559
	10,983	14,420	14,069	7,112	8,730

35 INVESTMENTS IN SUBSIDIARIES

	The Company			
	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted, at cost	27,750	57,400	143,400	143,400

The increase of investments in subsidiaries from 2012 to 2013 is due to the increased investment in La Chapelle Fashion (Taicang) Co., Ltd. and Chengdu Lewei Fashion Co., Ltd.

Particulars of the subsidiaries of the Group as at the date of this report and during the Relevant Periods are set out below:

			Effective interests held by the Company %							
			31 December			30 June	As the date of this report			
Company name	Country/place and date of incorporation	Paid-in capital/ registered capital	2011	2012	2013	2014		Direct/ Indirect	Principle activities	Auditor
Shanghai La Chapelle Casual Fashion Co., Ltd. (上海拉夏貝爾休閒服飾有限公司)	PRC 9 February 2010	RMB5,000,000/ RMB5,000,000	100%	100%	100%	100%	100%	Direct	Sales of apparel products	(a)
Candie's Shanghai Fashion Co., Ltd. (上海樂歐服飾有限公司)	PRC 18 October 2010	RMB16,000,000/ RMB16,000,000	65%	65%	65%	65%	65%	Direct	Design and sales of apparel products	(a)
Nanjing Lewei Fashion Co., Ltd. (南京樂微服飾有限公司)	PRC 3 March 2011	RMB500,000/ RMB500,000	100%	100%	100%	100%	100%	Direct	Sales of apparel products	(a)
Chongqing Lewei Fashion Co., Ltd. (重慶樂微服飾有限公司)	PRC 22 December 2010	RMB500,000/ RMB500,000	100%	100%	100%	100%	100%	Direct	Sales of apparel products	(a)
Beijing La Chapelle Lewei Fashion Co., Ltd. (北京拉夏樂微服飾有限公司)	PRC 28 December 2010	RMB500,000/ RMB500,000	100%	100%	100%	100%	100%	Direct	Sales of apparel products	(a)
Chengdu La Chapelle Fashion Co., Ltd. (成都拉夏貝爾服飾有限公司)	PRC 17 February 2011	RMB500,000/ RMB500,000	100%	100%	100%	100%	100%	Direct	Sales of apparel products	(a)
Shanghai Weile Fashion Co., Ltd. (上海微樂服飾有限公司)	PRC 23 November 2011	RMB1,000,000/ RMB1,000,000	100%	100%	100%	100%	100%	Direct	Design and sales of apparel products	(a)
Shanghai Langhe Fashion Co., Ltd. (上海朗赫服飾有限公司)	PRC 5 December 2011	RMB5,000,000/ RMB5,000,000	100%	100%	100%	100%	100%	Direct	Design and sales of apparel products	(a)

Company name	Country/place and date of incorporation	Paid-in capital/ registered capital	Effective interests held by the Company % 31 December 2011	2012	2013	30 June 2014	As the date of this report	Direct/ Indirect	Principle activities	Auditor
Shanghai Xiawei Fashion Co., Ltd. (上海夏微服飾有限公司)	PRC 21 December 2011	RMB5,000,000/ RMB5,000,000	100%	100%	100%	100%	100%	Direct	Design and sales of apparel products	(a)
La Chapelle Fashion (Taicang) Co., Ltd. (拉夏貝爾服飾(太倉)有限公司)	PRC 9 August 2012	RMB100,000,000/ RMB100,000,000	–	100%	100%	100%	100%	95% directly held and 5% indirectly held	Sales of apparel products	(a)
La Chapelle (Tianjin) Co., Ltd. (拉夏貝爾服飾(天津)有限公司)	PRC 15 November 2012	RMB16,000,000/ RMB16,000,000	–	100%	100%	100%	100%	Direct	Sales of apparel products	(a)
Chengdu Lewei Fashion Co., Ltd. (成都樂微服飾有限公司)	PRC 22 August 2013	RMB10,000,000/ RMB10,000,000	–	–	100%	100%	100%	Direct	Sales of apparel products	(a)
Shanghai Lalumdi Fashion Co.,Ltd (上海拉蘭迪時裝有限公司)	PRC 24 June 2008	RMB2,000,000/ RMB2,000,000	–*	–	–	–	–	Direct	Sales of apparel products	(a)

* This subsidiary was liquidated in August 2011. The liquidation loss of RMB33,000 was recorded in "other gains – net" in the consolidated statements of comprehensive income.

(a) The statutory auditors of these subsidiaries above for the years ended 31 December 2011 and 2012 were BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)), and for the year ended 2013 were Shanghai My Whole Way Certified Public Accountants LP (上海浩威會計師事務所(普通合夥)).

(b) The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

36 SUBSEQUENT EVENTS

In July 2014, the Company entered into a joint venture agreement pursuant to which the Company will set up a sino-foreign joint venture with a NASDAQ listed company for the purpose of launching a menswear brand.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2014 and up to the date of this report. Saved as disclosed in this report, no dividend has been declared or made by the Company or its subsidiaries in respect of any period subsequent to 30 June 2014.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 30 June 2014 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 30 June 2014 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 30 June 2014 (Note 1)	Estimated net proceeds from the Global Offering (Note 2)	Unaudited pro forma adjusted net tangible assets attributable to the equity owners of the Company	Unaudited pro forma adjusted net tangible assets per Share (Note 3)	
	RMB thousands	RMB thousands	RMB thousands	RMB	HK$
Based on an Offer Price of HK$13.98 per H Share	1,312,371	1,280,945	2,593,316	5.33	6.73
Based on an Offer Price of HK$18.20 per H Share	1,312,371	1,674,852	2,987,223	6.14	7.76

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 30 June 2014 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity owners of the Company as at 30 June 2014 of RMB1,344,380,000 with an adjustment for the intangible assets as at 30 June 2014 of RMB32,009,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$13.98 and HK$18.20 per H Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 486,315,842 Shares were in issue assuming that the Global Offering has been completed on 30 June 2014 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2014.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.7915.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF SHANGHAI LA CHAPELLE FASHION CO., LTD.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shanghai La Chapelle Fashion Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets of the Group as at 30 June 2014 and related notes (the "Unaudited Pro Forma Financial Information") as set out on page II-1 of the Company's prospectus dated 24 September 2014 (the "Prospectus"), in connection with the proposed initial public offering of the H Shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1 to this Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2014 as if the proposed initial public offering had taken place at 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the six months ended 30 June 2014, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 24 September 2014

The following is a summary of certain PRC and Hong Kong tax consequences of the ownership of H Shares by an investor that purchases such H Shares in connection with the Global Offering and holds the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investors, some of which may be subject to special rules. This summary is based on the tax laws of the PRC and Hong Kong as at the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section of this prospectus does not address any aspects of Hong Kong or PRC taxation other than income taxation, capital taxation, stamp taxation and estate taxation. Prospective investors are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

TAXATION IN THE PRC

Taxation of Dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) promulgated on 10 September 1980, as amended on 31 October 1993, 30 August 1999, 27 October 2005, 29 June 2007, 29 December 2007 and 30 June 2011, and the Provision for Implementation of the Individual Income Tax Law (中華人民共和國個人所得稅法實施條例) promulgated on 28 January 1994, as amended on 19 December 2005, 18 February 2008 and 19 July 2011, dividends paid by PRC companies to individuals are ordinarily subject to a PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a company in the PRC is normally subject to a withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Enterprise

According to the EIT Law and the Provision for Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), which both became effective on 1 January 2008, non-resident enterprises shall be subject to 10% enterprise tax for income originated from the PRC, provided that the non-resident enterprises do not establish institutions or premises in the PRC, or where there are institutions and premises established, there is no connection between the income received and the institutions or premises established by the non-resident enterprises. Such withholding tax may be reduced pursuant to an applicable double taxation treaty.

According to the Notice of the State Administration of Taxation Regarding Questions on Withholding Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises to Non-resident Enterprise Shareholders of H Shares (國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知), which became effective on 6 November 2008, PRC enterprises should withhold enterprise income tax at a rate of 10% when they distribute dividends to non-resident enterprise shareholders of H shares from the year of 2008. Such withholding tax may be reduced pursuant to an applicable double taxation treaty.

According to the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds 25% equity interest or more in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by the PRC company.

Tax Treaties

Investors who do not reside in the PRC and reside in countries that have entered into double taxation treaties with the PRC may be entitled to a reduction of the withholding tax payable by the PRC companies. The PRC currently has double taxation treaties with many nations in the world, including but not limited to: Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Taxation of Capital Gains

Individual Investors

With respect to individual holders of H shares, the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and the Provision for Implementation of the Individual Income Tax Law (中華人民共和國個人所得稅法實施條例) generally stipulate that gains derived from assignment of property shall be subject to income tax at a rate of 20%. In addition, the Provision for Implementation of the Individual Income Tax Law (中華人民共和國個人所得稅法實施條例) stipulates that measures for the levying of individual income tax on gains derived from the sale of equity securities shall be formulated separately by the Ministry of Finance and shall be implemented following approval of the State Council. Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation Regarding the Continued Temporary Exemption of Individual Income Taxes Levied on Incomes Obtained from the Transfer of Shares (財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) which was promulgated on 30 March 1998, individual income tax exemptions apply to individuals' transfers of shares of public companies with effect from 1 January 1997. On 3 February 2013, the State Council approved the Notice of Suggestions to Deepen the Reform of System of Income Distribution (國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知). The General Office of the State Council issued the Circular Concerning Allocation of Key Words to Deepen the Reform of System of Income Distribution on the same date. According to these two documents, the PRC government intends to abolish the tax treatment exempting individuals from individual income tax on the dividends obtained from foreign invested enterprises, and the Ministry of Finance and the State Administration of Taxation will be responsible for defining the details and formulating the relevant plan thereof. However, the Ministry of Finance and State Administration of Taxation have not promulgated any specific implementation rules.

Enterprise

According to the new EIT Law and the Provision for Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), non-resident enterprises shall be subject to 10% enterprise tax for income originated from the PRC, provided that the non-resident enterprises do not establish offices or premises in the PRC, or where there are offices and premises established, there is no connection between the gains received and the offices or premises established by the non-resident enterprises. Such withholding tax may be reduced pursuant to an applicable double taxation treaty.

Additional Chinese Tax Considerations

PRC Stamp Duty

PRC stamp duty imposed on the transfer of shares of PRC publicly traded companies should not apply to the acquisition and disposal by non-PRC investors of H shares outside of the PRC by virtue of the Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例), which became effective on 1 October 1988 and provide that PRC stamp duty is imposed only on documents, executed or received within the PRC that are legally binding in the PRC and protected under PRC law.

Estate Duty

No liability for estate duty under PRC law will arise from any non-PRC national's holding of H shares.

Taxation on the Company

Income Tax

As stipulated under the EIT Law, enterprises and other organisations which generate income within the PRC shall pay enterprise income tax according to the stipulations of the new EIT Law and are subject to enterprise income tax at the rate of 25%.

Value-added Tax

According to the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例) which became effective on 1 January 2009, all institutions and individuals who sell goods or provide processing, repairing and replacement services, as well as import and export goods, within the PRC shall pay VAT. The rate applicable to the Company is 17%.

TAXATION IN HONG KONG

Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the H shares. However, trading gains from the sale of H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trading, will be chargeable as Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on unincorporated businesses at a rate of 15%. Gains from sales of the H shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Share effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the H shares. The duty is charged at the ad valorem rate of 0.1 % of the consideration for, or (if greater) the value of, the H shares transferred to or from each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H shares. In addition, a fixed duty of HK$5.00 is charged on each instrument of transfer (if required). Where a sale or purchase of the H shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the stamp duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty. If stamp duty is not paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H shares whose deaths occur on or after 11 February 2006.

FOREIGN EXCHANGE CONTROL

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls. The State Administration of Foreign Exchange, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In 1994, the conditional convertibility of Renminbi in current account items was implemented and the official RMB exchange rate and the market rate for Renminbi was unified. On 29 January 1996, the State Council promulgated Regulations of the People's Republic of China for the Control of Foreign Exchange (中華人民共和國外匯管理條例) which became effective from 1 April 1996. The regulations classify all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to the approval from State Administration of Foreign Exchange, while capital account items are. The regulations were subsequently amended on 14 January 1997 and 5 August 2008. This latest amendment affirmatively states that the State shall not restrict international current account payments and transfers.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) which took effect on 1 July 1996 and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

Since 1 January 1994, the former dual exchange rate system for Renminbi has been abolished and replaced by a managed floating exchange rate system, which was determined by demand and supply. The PBOC sets and publishes daily the RMB-U.S. dollar benchmark exchange rate and the trading of foreign exchange is permitted to float to a certain extent.

On 25 October 1998, the PBOC and State Administration of Foreign Exchange jointly promulgated the Notice Concerning Closure of the Foreign Exchange Swap Business Activities (關於停辦外匯調劑業務的通知) pursuant to which and with effect from 1 December 1998, all foreign exchange swapping businesses in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall come under the banking system for the settlement and sale of foreign exchange.

On 21 July 2005, the PBOC announced that, with effect from the same date, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, setting the middle price for trading of the Renminbi on the following working day.

Since 1 April 2006, the PBOC has improved the method of generating the middle price for quoting the Renminbi exchange rate by introducing an enquiry system while keeping the match-making system in the inter-bank spot foreign exchange market. In addition, the PBOC provided liquidity in the foreign exchange market by introducing the market-making system in the inter-bank foreign exchange market. After the introduction of the enquiry system, the generation of the middle price for quoting the Renminbi was transformed to a mechanism under which the PBOC authorised the China Foreign Exchange Trading System to determine and announce the middle price for quoting the Renminbi against the U.S. dollar, based on the enquiry system, at 9:15 a.m. on each business day.

On 5 August 2008, the State Council promulgated the revised Regulations of the People's Republic of China for the Control of Foreign Exchange, which have made substantial changes to the foreign exchange supervision system of the PRC. First, the revised regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the revised regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the revised regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the revised regulations have enhanced the supervision and administration of foreign exchange transactions and granted extensive authorities to the State Administration of Foreign Exchange to enforce its supervisory and administrative powers.

All foreign exchange income generated from current account transactions of PRC enterprises may be either retained or sold to financial institutions engaging in the settlement or sale of foreign exchange pursuant to relevant rules and regulations of the State. Foreign exchange income from loans issued by organisations outside the territory or from the issuance of bonds and shares (for example foreign exchange income received by us from the sale of shares overseas) is not required to be sold to designated foreign exchange banks, but may be deposited into foreign exchange accounts at the designated foreign exchange banks.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without the approval of State Administration of Foreign Exchange, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which in accordance with regulations are required to pay dividends to shareholders in foreign exchange, such as the Company, may, on the strength of general meeting resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contribution, is still subject to restriction and prior approval from State Administration of Foreign Exchange and the relevant branch.

This appendix summarises certain aspects of PRC legal and regulatory matters and contains a description of the material differences between certain requirements of PRC Company Law and Hong Kong law applicable to a company incorporated in Hong Kong. However, this appendix does not contain an exhaustive summary of all matters of PRC, Hong Kong or other laws and regulations which may affect us or our Shareholders, and does not take into account your specific circumstances. If you wish to obtain detailed information on PRC law or the laws of any other jurisdiction, you should seek independent professional advice.

PRC COMPANY LAW

As a joint stock limited liability company incorporated in the PRC, and seeking a listing on the Stock Exchange, we are primarily subject to the following three PRC laws and regulations:

1. the PRC Company Law, which was promulgated by the Standing Committee of the National People's Congress on 29 December 1993, took effect on 1 July 1994 and was amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. The latest revised PRC Company Law came into effect on 1 March 2014;

2. the Special Regulations, which were promulgated by the State Council on 4 August 1994; and

3. the Mandatory Provisions, which were jointly promulgated by the Securities Committee of the State Council and the State Restructuring Commission on 27 August 1994, and which we, as a joint stock limited liability company seeking an overseas listing, must incorporate into our Articles of Association.

We are incorporated under the PRC Company Law as a joint stock limited liability company. This means that we are a legal person and own independent legal person property, whose registered capital is divided into Shares of equal par value. The liability of our Shareholders is limited to the amount of Shares held by them and we are liable to our creditors for an amount equal to the total value of our assets.

Our registered capital is equal to the amount of our paid-in capital as recorded at the Shanghai Administration for Industry and Commerce. All of our Shares of the same class rank pari passu and carry equal rights. We may increase our share capital by issuing new Shares with the approval of our Shareholders in general meeting. For each Share issue of the same class, the terms and the subscription price must be identical. We may issue Shares at par value or at a premium, but we may not issue Shares below the par value.

Under the PRC law, our H Shares, which will be denominated in RMB and subscribed for in a currency other than RMB, may only be subscribed for, and traded by qualified domestic institutional investors of the PRC and foreign investors.

Shares that we issue to foreign investors and Shares that are listed overseas must be in registered form, denominated in RMB and subscribed for in a foreign currency. Shares that are purchased through the Global Offering by foreign investors, including investors in Hong Kong, Macau and Taiwan and listed in Hong Kong, are known as overseas listed Foreign Shares.

We are required to maintain a register of Shareholders for all Shares issued in registered form. Information such as our Shareholders' particulars, number of Shares held by each Shareholder and the dates on which the Shareholders become holders of the relevant Shares are required to be entered into the register.

We may also reduce our registered capital with the approval of our Shareholders at the general meeting and subject to procedures regulated by the PRC Company Law and meeting minimum registered capital requirements under the PRC Company Law.

Our Shares may be transferred in accordance with applicable laws and regulations, such as the PRC Company Law, the PRC Securities Laws and the Special Regulations.

We may not purchase our own Shares other than for certain purposes regulated by the PRC Company Law.

PRC SECURITIES LAWS AND REGULATIONS

The PRC Securities Law (中華人民共和國證券法) took effect on 1 July 1999 and was amended on 28 August 2004, 27 October 2005 and 29 June 2013. The PRC Securities Law comprehensively regulates the PRC securities market, and contains provisions governing, among others, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law provides that a PRC company shall obtain the approval of the CSRC to issue or list our Shares overseas. The PRC Securities Law also provides that specific provisions in respect of shares of PRC companies to be subscribed and traded in foreign currencies shall be separately formulated by the State Council.

The CSRC is the supervisory and regulatory institution for securities in the PRC. It is responsible for formulation of policies relating to securities, drafting of securities laws and regulations, supervision of the securities markets, market intermediaries and participants, supervision and regulation of the domestic and overseas public offerings of securities by PRC companies, as well as supervision and regulation of securities transactions.

Currently, the issue and listing of H shares are mainly governed by a series of rules and regulations promulgated by the State Council and the CSRC. An overseas listing of our Shares must comply with the Special Regulations.

PRC FOREIGN EXCHANGE REGULATION

The RMB, the lawful currency of the PRC, is currently subject to foreign exchange controls and is not freely convertible into foreign currencies. The State Administration of Foreign Exchange, under the PBOC, is responsible for administering all matters relating to foreign exchange.

The RMB is subject to a regulated and managed floating exchange rate system in which the exchange rate is determined based on supply and demand and with reference to a basket of currencies. The PBOC publishes the closing price of the RMB against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each business day, and fixes the central parity for RMB transactions on the following business day. Transactions may then be undertaken within a limited trading band around this central parity price.

Foreign exchange income from loans granted by overseas entities or from the issuance of shares and bonds (including foreign exchange we obtain from the sale of our H Shares overseas) is not required to be sold, and may be deposited in foreign exchange accounts at designated foreign exchange banks.

The PRC Foreign Exchange Control Regulations classify all international payments and transfers into current account items and capital account items.

Current account payments and transfers may be made without any approvals by the State Administration of Foreign Exchange or other government departments. PRC enterprises which require foreign exchange for transactions relating to current account items may effect payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof of the relevant transactions.

Conversion of foreign exchange under capital account items, such as direct investments and capital contributions, remains subject to restrictions, and prior approval of the State Administration of Foreign Exchange must be obtained for the purchase of foreign exchange for such transactions.

Dividends to holders of our H Shares are declared in RMB but must be paid in Hong Kong dollars. In accordance with the relevant regulations, PRC enterprises which are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of shareholders' general meeting resolutions and board resolutions for the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

MATERIAL DIFFERENCES BETWEEN CERTAIN COMPANY LAW MATTERS IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and supplemented by common law. There are material differences between Hong Kong company law and the PRC law applicable to a joint stock limited company incorporated under the PRC Company Law, to which our Company is and will be subject, particularly in the area of investor protection. Certain of the material differences between the PRC Company Law and Hong Kong company law which is currently in force are summarised below. This summary, however, is not intended to be an exhaustive comparison. It should also be noted that the summary relates only to joint stock limited companies incorporated under the PRC Company Law and that the summary and the information in it is current only as of the date of this prospectus.

Quorum

Under the Companies Ordinance, unless otherwise specified by our Articles of Association of our Company, the quorum for a general meeting is two members. The PRC Company Law does not specify any quorum requirement for a general meeting, but the Special Regulations and the Mandatory Provisions provide that our general meeting may be convened when replies to the notice of that meeting have been received from Shareholders whose Shares represent 50% of the voting rights at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, we must within five days notify our Shareholders by way of a public announcement and we may hold the general meeting thereafter.

Notice of Meeting

Under the PRC Company Law, notice convening a general meeting of a joint stock limited liability company must be given not less than 20 days before the date of the meeting or, in the case of bearer shares, the notice must be given not less than 30 days before the date of the meeting. Under the Special Regulations and the Mandatory Provisions (to the extent they are applicable to our Company), 45 days' written notice must be given to all our Shareholders and Shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a Hong Kong limited company, the minimum period of notice for a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The minimum notice period for an annual general meeting is also 21 days.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one-half of the votes held by shareholders present in person or by proxy at a general meeting, except in cases of proposed amendments to the articles of association, an increase or a reduction of registered capital, merger, division, dissolution or alteration of form of the company, which require two-thirds of the votes held by shareholders present in person or by proxy at a general meeting.

Share capital

The authorised share capital of a joint stock limited liability company incorporated under the PRC Company Law shall be the same as its issued share capital. For a Hong Kong company, the authorised share capital may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not recognise the concept of authorised share capital. Any increase in the registered capital must be approved by the shareholders at a general meeting and by the relevant PRC governmental and regulatory authorities (if applicable). Upon completion of the issuance of new shares duly approved, the company shall register the increased share capital with the relevant administration for industry and commerce.

Under the PRC Securities Law, a company which is seeking to list its shares on a stock exchange must have registered capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, capital contributions may be in the form of monetary or non-monetary assets (other than assets not permitted to be used as capital contributions under the relevant laws and regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or undervaluation of the assets.

Restrictions on shareholding and transfer of shares

Under the Special Regulations, except otherwise permitted under the Provisional Measures on Management of Investing in Overseas Securities by Qualified Domestic Institutional Investors (合格境內機構投資者境外證券投資管理試行辦法), H shares shall only be held and traded by overseas investors. Hong Kong laws do not impose restrictions on individuals dealing in shares of Hong Kong companies on the basis of his residence or nationality.

Under the PRC Company Law, shares in a joint stock limited liability company held by its promoters, directors and senior management cannot be transferred within certain periods. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of its shares on the stock exchange. There are no such restrictions under Hong Kong law although there are the six-month lock-up on our Company's issue of H Shares and the 12-month lock-up on our Controlling Shareholders' disposal of Shares, as illustrated by the undertakings given by our Company to the Stock Exchange as described in "Underwriting" in this prospectus.

Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in our Articles of Association, which are summarised in Appendix V – "Summary of Articles of Association" in this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the Company or (iv) if there are provisions in company's articles of association relating to the variation of those rights, then in accordance with those provisions.

We (as required by the Listing Rules and the Mandatory Provisions) have adopted in our Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of Domestic Shares, Unlisted Foreign Shares and overseas listed Foreign Shares are defined in our Articles of Association, the holders of Domestic Shares and the holders of Unlisted Foreign Shares are a single class of Shareholders, while they and overseas listed Foreign Shareholders are as different class. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances:

(i) where our Company issues, upon approval by a special resolution at a Shareholders' general meeting, Domestic Shares and overseas listed Foreign Shares once every 12 months, either separately or concurrently, and the respective numbers of Domestic Shares and overseas listed Foreign Shares proposed to be issued do not exceed 20% of the respective numbers of the issued Domestic Shares and overseas listed Foreign Shares;

(ii) where our Company's plan to issue Domestic Shares and overseas listed Foreign Shares at the time of incorporation is carried out within 15 months from the date of approval by the securities regulatory authorities of the State Council;

(iii) Where upon the approval from the securities authorities of the State Council, the Domestic Shares and Unlisted Foreign Shares may be listed and traded in an overseas stock exchange.

Derivative action by minority shareholders

Hong Kong law permits minority shareholders to commence a derivative action on behalf of the company against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing the company from suing the directors in breach of their duties in its own name.

The PRC Company Law gives our Shareholders the right to initiate proceedings in the people's courts in the PRC to restrain the implementation of any resolution passed by our Shareholders in a general meeting, or by our Board of Directors, that violates any law, administrative rules or Articles of Association or if our Directors or senior management violate laws, administrative rules or Articles of Association when performing their duties and cause losses to our Company. The Mandatory Provisions also provide us with certain remedies against our Directors and senior management who breach their duties to us. In addition, as a condition to the listing of our Shares on the Hong Kong Stock Exchange and in accordance with our Articles of Association, each of our Directors is required to give an undertaking in favour of us acting as agent for each of our Shareholders. This allows minority Shareholders to act against our Directors in events of default.

Minority shareholder protection

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

Our Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling Shareholder may not exercise its voting rights in a manner prejudicial to the interests of other Shareholders, may not relieve a Director or Supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of our assets or the individual rights of other Shareholders.

Dividends

We shall withhold, and pay to the relevant tax authorities, the PRC tax on any dividends or other distributions payable to a Shareholder. Under Hong Kong law, the limitation period for debt recovery action (including the recovery of dividends) is six years while that under PRC law is two years.

Financial disclosure

A joint stock limited liability company is required under the PRC Company Law to make available at its office for inspection by shareholders its financial reports 20 days before an annual general meeting. In addition, a company issuing shares to the public under the PRC Company Law must publish its financial statements. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be tabled before the company at its annual general meeting, not less than 21 days before such meeting.

Under our Articles of Association (as required by the Listing Rules and the Mandatory Provisions), in addition to preparing accounts according to the PRC accounting standards, our Company may also have its accounts prepared and audited in accordance with the international accounting standards or Hong Kong accounting standards. Our Company is further required to publish our interim and annual accounts within 90 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively. The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives Shareholders the right to inspect our Articles of Association of our Company, minutes of the Shareholders' general meetings and financial and accounting reports. Under our Articles of Association, Shareholders have the right to inspect and copy (at reasonable charges) certain information on Shareholders and on Directors similar to that available to Shareholders of Hong Kong companies under Hong Kong law.

Corporate reorganisation

Corporate reorganisation involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Division 2 of Part 13 of the Companies Ordinance which requires the sanction of the court. Under the PRC law, the merger or demerger of a joint stock limited liability company has to be approved by voting by two-thirds of shareholders attending the general meeting in person or by proxy, and also has to be approved by the relevant government authorities (where applicable).

Remedies of our Company

Under the PRC Company Law, if a Director, Supervisor or senior management contravenes any law or administrative regulation or our Articles of Association in the performance of his duties resulting in any loss to our Company, such Director, Supervisor or senior management shall be liable to our Company for the loss. In addition, in compliance with the Mandatory Provisions, our Articles of Association set out our remedies similar to those required by the Hong Kong law (including cancellation of the relevant contract and recovery of profits made by a director, supervisor or officer).

Arbitration of disputes

In Hong Kong, disputes between shareholders and a company or its directors, supervisors and other senior officers may be resolved through the courts. The Mandatory Provisions and our Articles of Association provide that disputes between a holder of overseas listed Foreign Shares and the company and its directors, supervisors, managers or other senior management or a holder of Domestic Shares and Unlisted Foreign Shares, arising from our articles of association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of a company should, with certain exceptions, be referred to arbitration at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Such arbitration is final and conclusive.

Financial assistance for acquisition of shares

The PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited liability company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. The Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under the Companies Ordinance.

Mandatory deductions

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory capital reserve fund. There are no such requirements under Hong Kong law.

HONG KONG LISTING RULES

The Listing Rules provide additional requirements which apply to an issuer incorporated in the PRC as a joint stock limited liability company and seeking a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to our Company.

Compliance adviser

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of sending of its annual report to the shareholders for the first full year's financial results, to provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines.

If the Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Stock Exchange if the authorised representatives of the company are expected to be frequently outside Hong Kong.

Accountant's reports

An accountant's report of a PRC issuer will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either Hong Kong or international standards on accounting or PRC accounting standards.

Process agent

A company is required to appoint and maintain a person authorised to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange and must notify the Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's total issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalisation at the time of listing of not less than HK$50 million.

The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalisation at the time of listing of over HK$10 billion.

Independent non-executive directors and supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Restrictions on purchase and subscription of own securities

Subject to governmental approvals and the provisions of our Articles of Association, we may repurchase our own H Shares on the Stock Exchange in accordance with the provisions of Listing Rules. Approvals by way of a special resolution of holders of Domestic Shares and Unlisted Foreign

Shares and the holders of overseas listed Foreign Shares at separate class meetings conducted in accordance with our Articles of Association is required for Share repurchases. In seeking approvals, we are required to provide information on any proposed or actual purchases of any or all of our equity securities, whether or not listed or traded on the Stock Exchange. We must also state the consequences of any purchases which will arise under either or both of the Takeovers Code and any similar PRC law of which our Directors are aware, if any. Any special approval or general mandate given to our Directors to repurchase H Shares must not exceed 10% of the total amount of existing issued H Shares.

Mandatory Provisions

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the supervisory committee of the company. Such provisions have been incorporated into our Articles of Association, a summary of which is set out in Appendix V – "Summary of Articles of Association" in this prospectus.

Redeemable shares

We must not issue any redeemable Shares unless the Stock Exchange is satisfied that the relative rights of the holders of H Shares are adequately protected.

Pre-emptive rights

Except in the circumstances mentioned below, our Directors must obtain the approval by a special resolution of Shareholders in general meeting and the approvals by special resolutions of holders of Domestic Shares and Unlisted Foreign Shares and holders of overseas listed Foreign Shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with our Articles of Association prior to authorising, allotting, issuing or granting Shares or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible securities.

No such approval will be required under the Listing Rules, but only to the extent that, our existing Shareholders have by special resolution in general meeting given a mandate to our Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorise, allot or issue, either separately or concurrently once every 12 months, Shares which represent not more than 20% of each of the existing issued Domestic Shares and overseas listed Foreign Shares as of the date of the passing of the relevant special resolution or, where our Company's plan to issue Domestic Shares and overseas listed Foreign Shares at the time of incorporation is carried out within 15 months from the date of approval by the securities regulatory authorities of the State Council.

Supervisors

We are required to adopt rules governing dealings by our Supervisors in securities of our Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Stock Exchange. Our Company is required to obtain the approval of the Shareholders in a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to our Company or any of our subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of our Company or our subsidiaries: (i) the contract is for a duration that may exceed three years; or (ii) the contract expressly requires our Company to give more than one year's notice or to pay compensation or make other payments equivalent to more than one year's emoluments.

The remuneration and appraisal committee of our Company or an independent board committee must form a view in respect of service contracts that requires Shareholders' approval and advise Shareholders (other than Shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of our Company and the Shareholders as a whole and advise Shareholders on how to vote.

Amendment to our Articles of Association

We are required not to permit or cause any amendment to our Articles of Association which would cause them to cease to comply with the PRC Company Law, the Mandatory Provisions or the Listing Rules.

Documents for inspection

We are required to make available at a place in Hong Kong for inspection by the public and our Shareholders free of charge, and for copying by Shareholders at reasonable charges, the following:

- a complete duplicate register of Shareholders;
- a report showing the state of the issued share capital of our Company;
- our latest audited financial statements and the reports of our Directors, auditors and Supervisors (if any) thereon;
- special resolutions of our Company;
- reports showing the number and nominal value of securities repurchased by our Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares, Unlisted Foreign Shares and overseas listed Foreign Shares);
- a copy of the latest annual return filed with the relevant administration of industry and commerce of the PRC or other competent PRC authority; and
- for Shareholders only, copies of the minutes of meetings of Shareholders.

Receiving agents

Our Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in share certificates

We are required to ensure that all our listing documents and H Share certificates include the statement stipulated below and to instruct and cause our H Share Registrar not to register the subscription, purchase or transfer of any of our H Shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those H Shares bearing statements to the following effect, that the holder of H Shares:

- agrees with us and each of our Shareholders, and we agree with each of our Shareholders, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

- agrees with us, each of our Shareholders, Directors, Supervisors, managers and other officers, and we, acting both for ourselves and for each of our Directors, Supervisors, managers and other officers, agree with each of our Shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;
- agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

Compliance with the PRC Company Law, the Special Regulations and our Articles of Association

Our Company is required to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association.

Contract between our Company and our Directors, officers and Supervisors

Our Company is required to enter into a contract in writing with each of our Director and officer containing at least the following provisions:

- that our Director or officer is required to observe and comply with the PRC Company law, the Special Regulations, our Articles of Association, the Takeovers Code and an agreement with our Company that remedies shall be provided in accordance with our Articles of Association and that neither their contract nor their office are capable of assignment;
- an undertaking by our Director or officer, acting as agent for each Shareholder, to our Company to observe and comply with his obligations to Shareholders as stipulated in our Articles of Association;
- an arbitration clause which provides that, whenever any differences or claims arise from any rights or obligations conferred or imposed by that contract, our Articles of Association, the PRC Company Law or other relevant law and administrative regulations concerning the affairs of our Company between our Company and our Directors or officers and between a holder of H Shares and a Director or officer of our Company, such differences or claims will be referred to arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules, at the election of the claimant and that, once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitration body elected by the claimant. Such arbitration will be final and conclusive;
- if the party seeking arbitration elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the Hong Kong International Arbitration Centre;
- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;

- the award of the arbitration body is final and shall be binding on the parties thereto;
- the agreement to arbitrate is made by our Director or officer with our Company on our own behalf and on behalf of each Shareholder; and
- any reference to arbitration shall be deemed to authorise the arbitral tribunal to conduct hearings in open session and to publish its award.

Our Company is also required to enter into a contract in writing with each of our Supervisor containing statements in substantially the same terms.

Subsequent listing

Our Company must not apply for the listing of any of the H Shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of Foreign Shares are adequately protected.

English translation

All notices or other documents required under the Listing Rules to be sent by our Company to the Stock Exchange or to holders of the H Shares are required to be in the English language, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including our Company, subject to special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of the Listing.

Other legal and regulatory provisions

Upon the Listing, the provisions of the SFO, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to our Company.

Securities arbitration rules

Our Articles of Association provide that certain claims arising from our Articles of Association or the PRC Company Law shall be arbitrated at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre in accordance with their respective rules. The securities arbitration rules of the Hong Kong International Arbitration Centre contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic communications. For the purpose of the securities arbitration rules, a "PRC party" means a party domiciled in the PRC other than territories of Hong Kong, Macau and Taiwan.

Set out below is a summary of the principal provisions of our Articles of Association, the principal objective of which is to provide an overview of Articles of Association. As the information contained below is only a summary, it does not contain all the information that may be important.

EFFECTIVE DATE OF THE ARTICLES OF ASSOCIATION

These Articles of Association were passed by a special resolution at the general meeting of our Company and approved by the competent supervising authorities, and will be effective on the Listing Date. Upon the effective date of these Articles of Association, the existing articles of association and amendments thereto of our Company will lapse automatically.

From its effective date, our Articles of Association will be a legally binding document that regulates the organisation and behaviour of our Company, the rights and liabilities between our Company and the Shareholders, and among the Shareholders.

ISSUANCE OF SHARES

Our Company shall create ordinary Shares at all times and, if needed, as approved by our Company's supervising authorities mandated by the State Council, our Company may create Shares of other classes.

The Shares issued by our Company shall bear a par value. Each Share shall have a par value of RMB1.00.

Our Company shall issue Shares under the principles of openness, fairness and equity, and each Share of the same class shall carry the same rights.

The issue conditions and price per Share of the same class in the same issue shall be the same and the same price shall be paid by each institution or individual for each Share subscribed.

Domestic Shares and Foreign Shares are both ordinary Shares, and shall have the same rights and obligations.

FINANCIAL ASSISTANCE FOR THE ACQUISITION OF SHARES IN OUR COMPANY OR ANY SUBSIDIARY

Subject to the exceptions in the Articles of Association, our Company or its subsidiaries shall not, by any means at any time, provide any kind of financial assistance (as defined below) to a person who is acquiring or is proposing to acquire Shares of our Company. The said acquirer of Shares of our Company includes a person who directly or indirectly incurs any obligation (as defined below) due to the acquisition of our Shares.

Our Company or its subsidiaries shall not, by any means at any time, provide any financial assistance to the said acquirer as referred to in the preceding paragraph for the purpose of reducing or discharging the obligations assumed by that person.

The following activities shall not be deemed to be prohibited activities:

- the provision of financial assistance by our Company where the financial assistance is given in good faith in the interest of our Company, and the principal purpose of giving the financial assistance is not for the acquiring of Shares, or the giving of the financial assistance is an incidental part of some larger purpose of our Company;
- the lawful distribution of our Company's assets by way of dividends;

- the allotment of bonus Shares as dividends;
- a reduction of registered share capital, a repurchase of Shares or a reorganisation of the share capital structure of our Company effected in accordance with the Articles of Association;
- the provision of loans by our Company within its scope of business and in the ordinary course of its business (provided that the net assets of our Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits); and
- the provision of money by our Company for contribution to staff and workers' share schemes (provided that the net assets of our Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes:

(a) "financial assistance" includes (but is not limited to) the following meaning:

- gift;
- guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation in respect of our Company's own default) or release or waiver of any rights;
- provision of loan or any other agreement under which the obligations of our Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the novation of, or the assignment of rights arising under, such loan or agreement; and
- any other form of financial assistance given by our Company when our Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

(b) "incurring an obligation" includes the incurring of obligations by the changing of the obligor's financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

INCREMENT AND REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

Increment of Capital

Our Company may, based on our requirements for operation and development and in accordance with the related provisions in the Articles of Association, increase its capital.

Our Company may increase its capital by the following means:

1. offer of new Shares to investors not particularly designated;
2. placing new Shares to its existing Shareholders;
3. bonus issue of new Shares to existing Shareholders;
4. transfer of capital reserve fund into capital; and
5. other means permitted by laws and administrative regulations approved by the competent securities regulatory authorities of the State Council.

The issuance of new Shares for the purpose of capital increase by our Company shall be conducted in accordance with the procedures prescribed by relevant State laws and administrative regulations, after being approved pursuant to the Articles of Association.

Reduction of Capital and Repurchase of Shares

Our Company may reduce its registered capital in accordance with the Articles of Association.

When the registered capital of our Company is reduced, a balance sheet and a list of assets shall be prepared.

Our Company shall notify its creditors within 10 days after the passing of the resolution for the reduction of the registered capital and shall announce at least three times in newspapers within 30 days. Within 30 days after receipt of the notices or for those not receiving the notices, within 45 days after the publication of the first announcement, the creditors are entitled to require our Company to settle the debts or to provide corresponding guarantee.

The registered capital of our Company following the reduction of the registered capital shall not be lower than the minimum statutory requirement.

Our Company may, according to the provisions of the relevant laws, administrative regulations and the Articles of Association, repurchase our outstanding Shares under the following circumstances:

1. reduction of registered capital of our Company;
2. a merger with any other company that holds our Shares;
3. grant of Shares to our employees as incentives;
4. the repurchase is made at the demand of our Shareholders, who vote against the resolutions passed at a Shareholders' general meeting in connection with a merger or division, to repurchase their shares; or
5. other circumstances as permitted by laws and administrative regulations.

Our Company shall not engage in the trading of Shares save for the circumstances specified above.

Our Company may, with the approval of the relevant competent governing authorities of the State Council, repurchase our Shares in one of the following ways:

1. make an offer to all shareholders to repurchase our Shares in equal proportions;
2. repurchase through public dealing on a stock exchange;
3. repurchase by an off-market agreement; or
4. other means as permitted by the PRC law, administrative regulations and other relevant competent authorities.

A repurchase of our Shares by an off-market agreement is subject to prior approval of Shareholders in a general meeting in accordance with the Articles of Association. The Company may rescind or vary the contract or waive any or part of its rights under the contract so entered into by our Company with the prior approval of Shareholders in a general meeting.

A contract to repurchase Shares as referred to in the preceding paragraph includes, but is not limited to, an agreement to become obliged to repurchase and acquire the rights to repurchase Shares.

Our Company shall not assign a contract to repurchase the Shares or any of the rights thereunder.

Where our Company has the rights to repurchase redeemable Shares, in case of a repurchase made other than through market or by tender, the price shall be limited at a maximum price; in case of a repurchase by tender, the tenders shall be made available to all Shareholders.

After the Shares are repurchased in accordance with the laws, our Company shall cancel or transfer such Shares within the period prescribed by laws and administrative regulations, and shall apply to the original company registration authority for registration of the change of our registered share capital.

The total par value of the cancelled Shares shall be reduced from the registered capital of our Company.

Unless our Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its outstanding Shares:

1. Where our Company repurchases Shares at par value, payment shall be made out of the book surplus on the distributable profits of our Company or out of the proceeds of the new issue of Shares made for that purpose.

2. Where our Company repurchases Shares at a premium to its par value, payment up to the par value may be made out of the book surplus on the distributable profits of our Company or out of the proceeds of the new issue of Shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:

   (1) if our Shares being repurchased were issued at par value, payment shall be made out of the book surplus on the distributable profits of our Company; or

   (2) if our Shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus on the distributable profits of our Company or out of the proceeds of the new issue of Shares made for that purpose, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate amount of premiums received by our Company on the issue of the Shares repurchased nor shall it exceed the book value of our Company's premium account or capital reserve fund account (inclusive of the premiums from the new issue) at the time of the repurchase.

3. Our Company shall make the following payments out of our Company's distributable profits:

   (1) payment for the acquisition of the rights to repurchase our own Shares;

   (2) payment for the variation of any contract to repurchase our own Shares; and

   (3) payment for the release of its obligation under any contract to repurchase our Shares.

4. After our Company's registered capital has been reduced by the total par value of the cancelled Shares in accordance with the relevant provisions, the amount reduced from the distributable profits of our Company for payment of the par value of Shares which have been repurchased shall be transferred to our Company's premium account or capital reserve fund account.

TRANSFER OF SHARES

All fully paid overseas listed Foreign Shares shall be freely transferable in accordance with the Articles of Association. However, our Directors may refuse to recognise any instrument of transfer without stating any reasons, unless the following conditions are satisfied:

1. the payment to our Company for such registration according to the expenses stipulated by the Listing Rules shall be made in respect of the instrument of transfer and any other documents related to the title of any Shares or that may affect the title of any Shares;

2. the instrument of transfer only involves the Shares listed on the Stock Exchange;

3. the stamp duty is paid in respect of the instrument of transfer;

4. provision of the relevant share certificates and proof of title as reasonably required by our Board of Directors;

5. if the Shares are to be transferred to joint holders, the maximum number of joint holders is four; and

6. the relevant Shares shall be free from any lien of our Company.

If our Company refuses to register the transfer of Shares, our Company shall deliver a notification related to the refusal of the transfer to the transferor and transferee within two months from the date of the application for transferring the Shares.

Shares of our Company held by promoters are not allowed to be transferred within a year from the date of the establishment of our Company. Our Shares issued prior to the public offering of shares shall not be transferred within one year from the first day on which our Shares are listed and traded.

Our Directors, Supervisors and senior management shall report to our Company their shareholdings in our Company and changes therein and shall not transfer in a given year during their terms of office more than 25% of the total number of Shares which they hold; the Shares held by them shall not be transferred within one year from the first day on which the shares are listed and traded. The aforesaid persons shall not transfer the Shares held by them within six months from their termination of the office.

Where any of our Director, Supervisor, senior management or Shareholder holding more than 5% of our Shares in issue sells his/her Shares in our Company within a period of six months after their purchase, or purchases Shares in our Company again within a period of six months after their disposal, the gains so earned shall belong to our Company, and our Board may forfeit such gains. However, if a securities company holds more than 5% of our Shares as a result of its underwriting of the unsold Shares in an offer, the sales of those Shares shall not be under the said six-month restriction.

If our Board do not act in accordance with the provisions of the above paragraph, our Shareholders shall have the right to request our Board to take action within 30 days. If our Board does not take such action within the said period, then our Shareholders shall be entitled to commence proceedings at the people's courts in the PRC directly in their own names for the benefit of our Company. Where our Board does not act in accordance with the said provisions, the responsible Directors shall assume joint and several liability.

Our overseas listed Foreign Shares shall be transferred by a written instrument of transfer in an ordinary or usual form or any other form acceptable to our Board of Directors. The instrument of transfer may only be signed under hand, or where the transferor or transferee is a clearing institution or its nominee, it may be signed under hand or in a machine-imprinted format. All instruments of transfer shall be maintained at the legal address of our Company or such other places as our Board of Directors may specify from time to time.

Upon approval of the State Council's securities regulatory authorities, Shareholders who hold our Domestic Shares and Unlisted Foreign Shares are allowed to list and trade such Shares on an overseas stock exchange. The listing and trading of such Shares on the overseas stock exchange shall comply with the regulatory procedures, regulations and requirements of that overseas stock exchange. It is not necessary to convene a class meeting to vote for the listing and trading of such Shares on an overseas stock exchange.

POWER FOR ANY SUBSIDIARY TO OWN SHARES IN OUR COMPANY

There is no provision in the Articles of Association preventing ownership of Shares in our Company by a subsidiary.

CALLS ON SHARES AND FORFEITURE OF SHARES

There is no provision in the Articles of Association relating to the making of calls on Shares or the forfeiture of Shares.

SHARE CERTIFICATES

The Shares issued by our Company shall be in registered form.

The Share certificates of our Company shall contain the following major particulars:

1. the name of our Company;

2. the date of incorporation of our Company;

3. the class of the Shares, nominal value and number of Shares represented;

4. the serial number of the share certificate; and

5. other items to be contained as required by the PRC Company Law, the Special Regulations and the stock exchange on which the shares of our Company are listed.

Our Company may issue Shares in the form of foreign depository receipts or other derivative forms of Shares in accordance with the laws and the practice of registration and depository of securities in the listing place.

Share certificates shall be signed by the chairman and also be signed by other senior management of our Company if required by the stock exchange on which the Shares of our Company are listed. The share certificates shall come into effect when the seal of our Company has been affixed in the mode of printing. The affixing of our Company seal on the share certificates shall require the authorisation of our Directors. The signature of the chairman or other relevant senior management of our Company may be printed or otherwise mechanically reproduced on the certificate.

SHAREHOLDERS AND REGISTER OF SHAREHOLDERS

Shareholders

A Shareholder is a person who lawfully holds Shares of our Company and has his/or her other name (title) recorded in the register of Shareholders.

A Shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class and number of shares he/or she holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

No matter what is otherwise stipulated in the Articles of Association, the holders of the Unlisted Foreign Shares and the holders of the Domestic Shares are as a single class of Shareholders (particularly in respect of their rights to attend and vote at the class meetings and to receive notice of the class meetings), while the holders of the Unlisted Foreign Shares enjoy additional rights including: (i) in the form of entitlements to receive dividends declared by the Company in foreign currencies and, (ii) in the event of the winding-up of the Company, to remit their respective shares in the remaining assets (if any) of the Company out of the PRC in accordance with the applicable foreign exchange control laws and regulations in the PRC.

In the case of joint Shareholders, if one of the joint Shareholders is deceased, only the other existing Shareholder of the joint Shareholders shall be deemed by our Company as the persons who have the ownership of the relevant Shares. But our Board of Directors has the power to require them to provide a certificate of death for the purpose of modifying the register of Shareholders. For joint holding of any Shares, only the Shareholder whose name appears first in the register of Shareholders is entitled to receive the certificate for the relevant Shares, receive our Company's notices, and to attend and exercise voting rights in the general meetings of our Company. Any notice served on such person shall be deemed to have been served on all joint holders of the relevant Shares.

The name of our Shareholders shall be recorded in our register of members, with the following particulars being recorded:

(i) the name, address or residence, and occupation or nature of each Shareholder;

(ii) the category and quantity of shares held by each Shareholder;

(iii) the amount paid or payable on the shares held by each Shareholder;

(iv) share certificate numbers of the shares held by each Shareholder;

(v) the date on which each Shareholder was registered as a Shareholder;

(vi) the date on which each Shareholder ceased to be a Shareholder.

The register of Shareholders shall be full evidence of the Shareholders' shareholding in our Company, unless there is evidence to the contrary.

Our Company may, pursuant to any understanding or agreement reached between the securities regulatory authorities under the State Council and overseas securities regulatory authorities, keep the register of Shareholders of overseas listed Foreign Shares in any place outside the PRC, and entrust its administration to an overseas agency.

Our Company shall maintain an office copy of this register at the address of our Company, and our entrusted overseas agent shall ensure that the original and duplicate copies of the register of Shareholders of overseas listed Foreign Shares are consistent at all times.

Where the original and office copies of the register of Shareholders of overseas listed Foreign Shares are not consistent, the original version shall prevail.

Our Company shall have a complete register of Shareholders.

The register of Shareholders shall include:

(i) the register of Shareholders maintained at our Company's address (other than those parts described in items (ii) and (iii) of the relevant Article);

(ii) the register of Shareholders of overseas listed Foreign Shares of our Company maintained at the place where the overseas securities exchange on which the shares are listed is located;

(iii) the register of Shareholders maintained at such other place as our Board may consider necessary for the purpose of listing of our Shares; and

(iv) in the register of Shareholders of overseas listed Foreign Shares, contents regarding the register of Shareholders of Shares listed on the Stock Exchange shall be maintained in Hong Kong.

Different parts of the register of Shareholders shall not overlap with one another. No transfer of the shares registered in any part of the register shall, during the existence of that registration, be registered in any other part of the register of Shareholders.

Alteration or rectification of each part of the register of Shareholders shall be made in accordance with the laws of the place where that part of the register of Shareholders is maintained.

Transfers may not be entered in the register of Shareholders within 30 days prior to the date of a Shareholders' general meeting or within 5 days before the record date set by our Company for the purpose of distribution of dividends.

When our Company intends to convene a Shareholders' general meeting, distribute dividends, liquidate and engage in other activities that involve determination of shareholdings, our Board of Directors shall designate a day to be the record day.

Shareholders whose names appear in the register of Shareholders at the end of the record date are Shareholders who are entitled to the relevant interests. Any person who objects to the register of Shareholders and requests to have his name (title) entered in or removed from the register of Shareholders may apply to a court of competent jurisdiction for rectification of the register.

Any Shareholder who is registered in, or any person who requests to have his or her name (title) entered in, the register of Shareholders may, if his or her share certificates (the "Original Certificates") are stolen, lost or misplaced, apply to our Company for a replacement share certificate in respect of such shares.

Our Company shall not have any obligation to indemnify any person for any damages suffered thereby arising from the cancelation of the Original Certificates or the issuance of a replacement share certificate, unless such person concerned can prove that our Company has committed a fraudulent act.

The Shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class and number of shares he holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

The ordinary Shareholders of our Company shall be entitled to the following rights:

1. the right to dividends and other distributions in proportion to the number of Shares held;

2. the right to attend or appoint a proxy to attend the general meetings and to exercise their voting right;

3. the right to supervise and manage the business activities of our Company and to put forward proposals or raise inquiries;

4. the right to transfer, give or pledge the Shares held by them in accordance with laws, administrative regulations and provisions of the Articles of Association;

5. the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:

    (a) the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy;

    (b) the right to inspect and copy, subject to payment of a reasonable charge:

        (i) all parts of the register of Shareholders;

        (ii) personal particulars of our Directors, Supervisors, president and other senior management, including:

            (1) present name and alias and any former name and alias;

            (2) principal address (residential);

            (3) nationality;

            (4) primary and all other part-time occupations; and

            (5) document of identification and its number;

        (iii) a report on the state of our Company's share capital;

        (iv) reports showing the total par value, quantity, maximum and minimum price paid in respect of each class of Shares repurchased by our Company since the end of the last accounting year and the aggregate amount of cost incurred by our Company for this purpose; and

        (v) minutes of the general meetings;

6. in the event of the termination or liquidation of our Company, the right to participate in the distribution of the remaining assets of our Company in accordance with the number of Shares held;

7. with respect to Shareholders who vote against any resolution adopted at the general meeting on the merger or division of our Company, the right to demand our Company to acquire the Shares held by them;

8. the right to file the proceedings with, and bring a claim against, a third party which has impaired the benefits of our Company or infringed the lawful interests of the Shareholders before the people's courts in the PRC in accordance with the PRC Company Law or other laws and administrative regulations; and

9. other rights conferred by laws, administrative regulations and the Articles of Association.

Our Company shall not exercise its rights to freeze or harm in any other forms the rights attaching to any Shares held in the event that any person has not disclosed the rights and interests they hold directly or indirectly.

Shareholders demanding inspection of the relevant information or copies of the materials mentioned in the preceding provision shall provide to our Company written documents evidencing the class and number of Shares they hold. Upon verification of the Shareholder's identity, our Company shall provide such information at the Shareholder's request.

If a resolution passed at our Company's general meeting or Board meeting violates the laws or administrative regulations, our Shareholders shall have the right to submit a petition to the people's court to render the same as invalid.

If the procedures for convening, or the method of voting at, a Shareholders' general meeting or Board meeting violates the laws, administrative regulations or the Articles of Association, or the contents of a resolution violates the Articles of Association, our Shareholders shall be entitled to submit a petition to the people's court to rescind such resolutions within 60 days from the date on which such resolution is adopted.

The ordinary Shareholders of our Company shall assume the following obligations:

1. to abide by laws, administrative regulations and the Articles of Association of our Company;

2. to pay subscription monies according to the number of shares subscribed and the method of subscription;

3. not to divest the Shares unless required by laws and regulations;

4. not to abuse their shareholder rights to harm the interests of our Company or other Shareholders; and not to abuse the independent legal person status of our Company and the limited liability of Shareholders to harm the interests of any creditor of our Company; Shareholders of our Company who abuse their Shareholder's rights and thereby cause loss on our Company or other Shareholders shall be liable for indemnity according to the law. Where our Shareholders abuse our Company's position as an independent legal person and the limited liability of Shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of our Company, such Shareholders shall be jointly and severally liable for the debts owed by our Company; and

5. other obligations imposed by laws, administrative regulations and the Articles of Association.

Shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscribers of the relevant shares on subscription.

Where a Shareholder holding 5% or more voting shares of our Company pledges any Shares in his possession, he shall report the same to our Company in writing on the day on which the pledge occurs.

GENERAL MEETING

General Rules of the General Meeting

The general meeting is the organ of authority of our Company, and shall exercise its functions and powers in accordance with law, including:

1. to decide on the operating policies and investment plans of our Company;
2. to elect and remove Directors, and to fix the remuneration of the relevant Directors;
3. to elect and remove Supervisors who are representatives of our Shareholders, and to fix the remuneration of the relevant Supervisors;
4. to consider and approve the reports of our Board of Directors;
5. to consider and approve the reports of the Supervisory Committee;
6. to consider and approve the annual financial budgets and final accounts of our Company;
7. to consider and approve the profit distribution plans and loss recovery plans of our Company;
8. to make resolutions on any increase or reduction of registered capital of our Company;
9. to make resolutions on matters such as merger, division, dissolution, liquidation and conversion of corporate form of our Company;
10. to make resolutions on any issuance of bonds of our Company;
11. to make resolutions on the appointments, dismissals or non-reappointments of accounting firms;
12. to amend the Articles of Association;
13. to make resolutions on the external guarantees required by the Articles of Association to be considered and approved at the general meetings;
14. to consider and approve the proposals submitted by Shareholders holding not less than 3% (including 3%) of our Company's voting shares;
15. to consider matters relating to the purchases and disposals of our Company's material assets within one year, which exceed 30% of our Company's latest audited total assets;
16. to make resolutions on the external investments, liabilities assumed, asset operations and risk investments which account for more than 50% of the latest audited net assets of our Company;
17. to consider and approve matters relating to the change of the use of funds raised;
18. to consider and approve the stock option incentive scheme;
19. other matters which shall be resolved by the general meeting as stipulated by laws, administrative regulations and the Articles of Association;
20. the general meeting may authorise or grant a mandate to our Board of Directors to deal with specific matters without violating the mandatory provisions of laws, regulations and listing rules in the place where our Company's shares are listed.

Our Company shall not enter into a contract with a party, other than a Director, a Supervisor, the president and other senior management, in relation to vesting responsibility for the administration of all businesses or the important businesses of our Company to that party without prior approval of the general meeting.

The following external guarantees shall be considered and approved by the general meeting.

1. any provision of guarantee, where the total amount of external guarantees provided by our Company and its controlled subsidiaries exceeds 50% of the latest audited net assets;

2. any provision of guarantee, where the total amount of external guarantees provided by our Company reaches or exceeds 30% of the latest audited total assets;

3. provision of guarantee to anyone whose asset-liability ratio exceeds 70%;

4. provision of a single guarantee, the amount of which exceeds 10% of the latest audited net assets;

5. provision of guarantee to our Shareholders, de facto controllers and their connected parties; and

6. provision of other guarantees required by laws, regulations and the Articles of Association to be proposed at the general meeting for consideration and approval.

If a Director, the president or other senior management violates the law, administrative regulations or our Company's regulations relating to the authority of consideration and approval of external guarantees, and as a result of which our Company sustains losses, he is liable to pay compensation. Our Company has the legal right to bring an action against him.

The general meetings shall be annual general meetings of Shareholders and extraordinary general meetings of Shareholders. The general meetings are convened by our Board of Directors. The annual general meeting of Shareholders shall be held once every year within six months after the end of the previous accounting year.

Our Company shall hold an extraordinary general meeting of our Shareholders within two months upon the occurrence of one of the following circumstances:

1. the number of directors is less than the number required by the PRC Company Law or less than two-thirds of the number required by the Articles of Association;

2. our Company's uncovered losses reaches one third of the share capital;

3. shareholders who hold more than 10% (inclusive) of our Company's outstanding shares with the rights of voting request in writing to convene an extraordinary general meeting of our Shareholders;

4. our Board of Directors considers it necessary;

5. the Supervisory Committee proposes to convene; and

6. such other circumstances as provided for by laws, administrative regulations or the Articles of Association.

In relation to (3), (4) and (5), the proposed topics of the convener should be included in the agenda of the general meeting.

Proposals of General Meeting

When our Company convenes an annual general meeting, our Board of Directors, Supervisory Committee and any Shareholder who individually or jointly hold 3% or more of our total number of Shares, shall be entitled to put forward a proposal to our Company.

Any Shareholder who individually or jointly holds 3% or more of our total number of Shares may make a provisional proposal to our Board of Directors in writing 20 days before the date of the general meeting. The Board of Directors shall issue a circular and notice to all Shareholders and submit the contents of the provisional proposal to the general meeting for consideration within two days upon the receipt of the proposal or 14 days before the original date of the general meeting.

Except as provided in the preceding paragraph, the general meeting shall not resolve on matters that have not been clearly stated in the notice of the general meeting.

A proposal of the general meeting shall satisfy the following conditions:

1. the contents shall not contradict the relevant provisions of the laws and administrative regulations, and shall be within the business scope of our Company and the terms of reference of the general meeting;

2. having a clear agenda and specific matters for resolution;

3. submitted or delivered to our Board of Directors in written form.

Notices of a General Meeting

The notices of a general meeting shall satisfy the following requirements:

1. be made in written form;

2. specify the venue, date and time of the meeting;

3. describe the matters to be discussed at the meeting;

4. provide Shareholders with information and explanations necessary for them to make informed decisions in respect of the matters to be discussed including (but not be limited to) specific terms and contract (if any) for a proposed transaction, and a detailed explanation of its reasons and consequences where our Company proposes a merger, share repurchase, restructuring of share capital or other form of reorganisation;

5. where any Director, Supervisor, president or other senior management has a material interest in the matters to be discussed, the nature and extent of that interest shall be disclosed; where the impact of the matters to be discussed on such Director, Supervisor, president or other senior management whose status as our Shareholders is different from the impact on other Shareholders of the same class, the differences shall be illustrated;

6. contain the full text of any special resolution proposed to be passed at the meeting;

7. provide a clear text description stating that all Shareholders who have the right to attend and vote at the general meeting shall have the right to entrust one or more proxies, not necessarily a Shareholder of our Company, to attend and vote on his/her behalf at the meeting;

8. state the deadline and place for delivery of the proxy letter of the meeting;

9. state the registration date of shares owned by Shareholders who have the right to be present at general meetings;

10. state the name and telephone number of the contact person of the meeting.

Notices of a general meeting shall be served to the Shareholders (whether they have the right to vote at the Shareholders' meeting or not) by hand delivery or prepaid mail, to the address of the recipient as recorded in the register of Shareholders. As for Shareholders of Domestic Shares and Unlisted Foreign Shares, notices of a general meeting may also be served by way of announcements.

The aforesaid announcement shall be published on designated media in the PRC (newspapers, websites), 45 to 50 days prior to the proposed general meeting. The designated media shall be a media provided for under the relevant PRC laws and administrative regulations or designated by the securities regulatory authorities under the State Council. Upon announcement, the notices shall be deemed to have been served to all Shareholders of Domestic Shares and Unlisted Foreign Shares.

The notices served to Shareholders of overseas listed Foreign Shares may be published on the Stock Exchange's website or in one or multiple newspapers designated by it, 45-50 days prior to the convention of the general meeting. Upon announcement, the notices shall be deemed to have been served to all Shareholders of overseas listed Foreign Shares.

A Shareholder who intends to attend the general meeting shall deliver to our Company a written reply slip confirming his intention to attend the general meeting, 20 days before the proposed date of the general meeting. On the day that is 20 days before the date of the proposed meeting, our Company shall calculate the number of voting Shares held by Shareholders who provided a written reply. If the number of voting Shares represented by those Shareholders is less than half of the total number of the voting Shares of our Company, our Company must within five days re-notify our Shareholders in order for our Company to be able to hold the proposed general meeting.

Once a notice of general meeting is issued, the general meeting shall not be postponed or cancelled without any justified grounds and the proposals listed in the notice of general meeting shall not be cancelled. In case of postponement or cancellation, the convener shall make an announcement and state the reasons at a time at least two working days prior to the pre-determined date of convention of the meeting.

Holding of Shareholders' General Meetings

Any Shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or several persons (who may not be Shareholders) to act as his proxy to attend and vote at the meeting on his behalf. The proxy(ies) so appointed by the Shareholder may, pursuant to the instructions of the Shareholder, exercise the following rights:

(i) the right which the Shareholder has to speak at the meeting;

(ii) the right to demand a poll alone or jointly with others;

(iii) the right to exercise voting rights on a show of hands or on a poll, provided that where more than one proxy is appointed, the proxies may only exercise such voting rights on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointing Shareholder or his attorney duly authorised in writing; where the appointing Shareholder is a legal person or any other institution, such instrument shall be under its seal or under the hand of its legal representative duly authorised or attorney duly authorised. If such Shareholder is a recognised clearing house as defined under Hong Kong laws (or its nominee), the Shareholder may authorise such person or persons as it thinks fit to act as its proxy at any Shareholders' general meeting or at meeting of any class of Shareholders; 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 so authorised shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise as if it were an individual Shareholder of our Company.

All Directors, Supervisors and the Secretary to the Board shall attend the Shareholders' general meetings. The general manager and other senior management members shall also be present at the meeting except for just cause.

The chairman of the Board should preside over a Shareholders' general meeting, however, if the chairman of the Board is unable to perform or fails to perform his duties, the deputy chairman of the Board should preside over the meeting, and where the deputy chairman of the Board is unable to perform or fails to perform his duties, a Director selected by a majority of the Directors shall preside over the general meeting.

A general meeting convened by the Shareholders themselves shall be presided over by a representative nominated by the convening Shareholder. If no chairman of the meeting has been elected, the Shareholders present at the general meeting may elect one person to be chairman of the general meeting. If the Shareholders are unable to elect the chairman by any reason, the Shareholder with the most voting rights (including a Shareholder's proxy) shall be chairman of the general meeting.

When a Shareholders' general meeting is held and the chairman of the meeting violates the rules of procedures such that the general meeting cannot proceed, a person may be elected to preside over the general meeting, subject to approval of more than half of voting rights held by the Shareholders present at the meeting.

If the chairman of the meeting has any doubt on the voting result of any resolution submitted for voting, the chairman may count the votes; if the chairman does not count the votes, and any Shareholder or proxy of Shareholder present at the meeting has any objection to the result(s) announced by the chairman of meeting, such Shareholder or proxy shall be entitled to request immediate count of votes, and the chairman of the meeting shall count the votes immediately.

If votes have been counted on the Shareholders' general meeting, the result of such count shall be recorded in the relevant meeting minutes. All Directors, Supervisors and the Secretary to the Board, convener or his /her representative, and presider, who were present at the meeting, shall sign on the minutes. The meeting minutes, together with the signatures book of Shareholders who attended the meeting and instruments appointing proxy or proxies, shall be kept at our Company's address for fifteen years.

Voting and Resolutions of General Meeting

Resolutions of a general meeting are divided into ordinary resolutions and special resolutions.

An ordinary resolution of a Shareholders' general meeting shall be passed by an affirmative vote of more than half of our Company's total voting Shares being held by the Shareholders who are present at the meeting (including proxies).

The following matters shall be approved by ordinary resolutions of a Shareholders' general meeting:

(i) to consider and approve the reports of the Board of Directors and the reports of the Supervisory Committee;

(ii) to consider and approve the profit distribution plans and loss recovery plans of our Company;

(iii) to elect and remove directors and supervisors, and to fix the remuneration of the relevant directors and supervisors;

(iv) to consider and approve the annual financial budgets and final accounts of our Company; and

(v) other matters other than those required by laws, administrative regulations or the Articles of Association to be approved by special resolutions.

A special resolution of a Shareholders' general meeting shall be passed by an affirmative vote of more than two-thirds of our Company's total voting Shares being held by the Shareholders who are present at the meeting (including proxies).

The following matters shall be approved by special resolutions of a Shareholders' general meeting:

(i) any increase or reduction of registered capital and the issue of any class of shares, warrants and other similar securities of our Company;

(ii) the issue of corporate bonds;

(iii) any spin-off, merger, dissolution or liquidation;

(iv) the amendments to the Articles of Association;

(v) the stock option incentive scheme; and

(vi) such other matters pursuant to ordinary resolutions passed at Shareholders' general meeting, are considered to have material effects on our Company and require approval by special resolutions.

Attending Shareholders (including proxies) shall expressly agree or disagree on every item that should be voted; if any attending Shareholder or proxy makes an abstention vote or abstain from voting, the voting results corresponding to the number of his/her Shares shall be recorded as "abstention". If there are any unfilled, wrongly filled, illegible votes or un-used votes, the relevant voters shall be deemed to have waived their voting rights, and the number of their respective Shares shall be recorded as "abstention". On calculating the voting results of a matter, the number of votes that are made by attending Shareholders (including proxies) with voting rights include the abstention votes.

Shareholders (including proxies) shall exercise their voting rights according to the number of voting Shares they represent, with one vote for each Share.

Shares in our Company which are held by our Company do not carry any voting rights, and shall not be counted in the total number of voting Shares represented by Shareholders present at a Shareholders' general meeting.

The Board of Directors, independent non-executive Directors and Shareholders who meet the relevant requirements may collect votes from Shareholders.

Unless vote is cast on poll particularly as required by the relevant requirements of the securities regulatory authorities of the jurisdictions where the Shares of our Company are listed, or a poll is (before or after any voting by show of hands) demanded by the following persons, voting at a Shareholders' general meeting shall be by a show of hands:

(i) the chairman of the meeting;

(ii) at least two Shareholders entitled to vote or their proxies; or

(iii) one or more Shareholders (including proxies) individually or jointly holding more than 10% of the voting shares held by all Shareholders present at the meeting.

Unless otherwise required by the listing rules of the jurisdictions where the Shares of our Company are listed or a poll is so demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution at the meeting.

The demand for a poll may be withdrawn by the person who makes such demand.

A poll demanded on such matters as the election of chairman or the adjournment of the meeting, shall be taken forthwith. A poll demanded on any other matters shall be taken at such time as the chairman may decide, and the meeting may proceed to discuss other matters, while the results of the poll shall still be deemed to be a resolution of that meeting.

On a poll taken at a meeting, a Shareholder (including proxy) entitled to two or more votes need not cast all his votes for, against or abstain in the same way.

In the case of an equality of votes, whether it is by show of hands or a poll, the chairman of the meeting shall be entitled to an additional vote.

The chairman of the meeting shall determine, according to the results of the votes, whether the resolutions of the Shareholders' general meeting are approved. The chairman's decision is the final decision, and the results of the votes shall be announced in the meeting. The results of the votes shall be recorded in the meeting minutes.

If the chairman of the meeting has any doubt on the voting result of any resolution submitted for voting, the chairman may count the votes; if the chairman does not count the votes, and if any Shareholder or proxy of Shareholder present at the meeting has any objection to the result announced by the chairman of the meeting, such Shareholder or proxy shall be entitled to request immediate count of votes, and the chairman of the meeting shall count the votes immediately.

If votes have been counted on the Shareholders' general meeting, the result of such count shall be recorded in relevant meeting minutes. All Directors, Supervisors and the Secretary to the Board, convener or his /her representative, and presider, who were present at the meeting, shall sign on the minutes. The meeting minutes, together with the signatures book of Shareholders attending the meeting and instruments appointing proxy or proxies, shall be kept at our Company's address for fifteen years.

Special Procedures for Voting by Class Shareholders

Shareholders holding different classes of Shares shall be class Shareholders.

Class Shareholders shall enjoy rights and assume obligations pursuant to the provisions of laws, administrative regulations and the Articles of Association.

Save for Shareholders of Shares of other classes, the holders of Domestic Shares and the holders of Unlisted Foreign Shares are single class of Shareholders, while they and overseas listed Foreign Shareholders are as different class.

Any variation or abrogation of the rights of any class of Shareholders proposed by our Company shall be approved by a special resolution of a general meeting and by the Shareholders of the affected class at a separate class meeting convened in accordance with Articles 100 to 104 of the Articles of Association.

No matter what is otherwise stipulated in the Articles of Association, the holders of Unlisted Foreign Shares and holders of Domestic Shares are as the same class, any variation or abrogation of any right attached to the Unlisted Foreign Shares shall be deemed as variation or abrogation of any right attached to the Domestic Shares, and vice versa. Such variation or abrogation of rights requires (i) the approval of the Shareholders in general meeting by way of a special resolution; and (ii) the approval of the holders of the Unlisted Foreign Shares and the holders of the Domestic Shares who are both entitled to attend and vote in one class meeting (with the holders of the Unlisted Foreign Shares and the holders of the Domestic Shares voting as a single class of Shareholders) convened in accordance with Article 100 to Article 104. Such variation or abrogation does not require the approval of the holders of the Unlisted Foreign Shares attend and vote in one class meeting and the holders of the Domestic Shares attend and vote in a separate class meeting convened in accordance with Article 100 to Article 104.

The following circumstances shall be deemed to be circumstances where the variation or abrogation of the rights of Shareholders of a certain class is involved:

(i) increasing or decreasing the number of Shares of that class, or increasing or decreasing the number of Shares of another class having the same or more rights of or to voting, distribution or other privileges when compared with Shares of such class;

(ii) converting all or part of the Shares of such class into Shares of other classes, or converting all or part of the Shares of other classes into Shares of such class or granting rights to effect such conversion;

(iii) removing or reducing rights to accrued dividends or cumulative dividends attached to Shares of such class;

(iv) reducing or removing the right to receive priority dividends or, in the event of the liquidation of our Company, to receive priority distribution of property attached to Shares of such class;

(v) increasing, removing or reducing the right of conversion, options, voting rights, the right to transfer, priority in placement and the right to acquire securities of our Company attached to Shares of such class;

(vi) removing or reducing the right to receive sums payable by our Company in particular currencies attached to Shares of such class;

(vii) creating a new class of Shares having the same or more rights of or to voting, distribution or other privileges when compared with the Shares of such class;

(viii) imposing restrictions on the transfer or ownership of the Shares of such class or increasing such restrictions;

(ix) issuing subscription rights or Share conversion rights in respect of Shares of such class or another classes;

(x) increasing the rights and privileges of Shares of another classes;

(xi) proposing to restructure our Company where the proposed restructuring scheme will result in different classes of Shareholders having to assume disproportionate liabilities in such restructuring;

(xii) varying or repealing the terms provided in this chapter.

Shareholders of the affected class, whether or not having the right to vote at Shareholders' general meetings, shall have the right to vote at the relevant class meeting in relation to any of the matters under circumstances (2) to (8) and (11) to (12) mentioned above, but interested Shareholders shall not be entitled to vote at the relevant class meeting.

Interested Shareholders mentioned in the preceding paragraph shall have the following meanings:

(i) in the case of an offer by our Company to repurchase its own Shares to all Shareholders on a pro rata basis or a repurchase by our Company of its own Shares on a stock exchange in accordance with Article 30 of the Articles of Association, "interested Shareholder" shall mean the controlling Shareholder as defined in Article 59 of the Articles of Association;

(ii) in the case of a repurchase by our Company of its own Shares by an off-market agreement in accordance with Article 30 of the Articles of Association, "interested Shareholders" shall mean the Shareholders connected with such agreement;

(iii) in the case of a proposed restructuring of our Company, "interested shareholder" shall mean a Shareholder of a class assuming a smaller proportion of liabilities than the other Shareholders of that class or who has interests different from those of the other Shareholders of the same class.

A resolution of a class meeting shall be passed in accordance with Article 101 by at least a two-thirds majority calculated on the basis of the voting rights held by the Shareholders present and entitled to vote at the class meeting.

The quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of Shares shall be the holders of at least one-third of the issued Shares of that class.

Notice of a class meeting only needs to be given to Shareholders entitled to vote thereat.

Unless otherwise provided for in the Articles of Association, the procedures for holding the class meeting shall be similar to those for holding the Shareholders' general meeting as far as possible, and the provisions in the Articles of Association relating to the procedures for a Shareholders' general meeting shall apply to the class meeting.

The special procedures for voting by class Shareholders shall not apply in the following circumstances:

(i) where our Company issues, upon approval by a special resolution at a Shareholders' general meeting, Domestic Shares and overseas listed Foreign Shares once every 12 months, either separately or concurrently, and the respective numbers of Domestic Shares and overseas listed Foreign Shares proposed to be issued do not exceed 20% of the respective numbers of the issued Domestic Shares and overseas listed Foreign Shares;

(ii) where our Company's plan to issue Domestic Shares and overseas listed Foreign Shares at the time of incorporation is carried out within 15 months from the date of approval by the securities regulatory authorities of the State Council;

(iii) Where upon the approval from the securities authorities of the State Council, the Domestic Shares and Unlisted Foreign Shares may be listed and traded in an overseas stock exchange.

Rights of Minorities in relation to Fraud or Oppression

In addition to obligations imposed by laws, administrative regulations or required by the stock exchange on which Shares of our Company are listed, a controlling Shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of the Shareholders generally or of some part of the Shareholders of our Company:

- to relieve a Director or Supervisor of his duty to act honestly in the best interest of our Company;
- to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), of our Company's assets, including (but not limited to) opportunities beneficial to our Company; or
- to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other Shareholders, including (but not limited to) rights to distributions and voting rights save pursuant to a reorganisation submitted to Shareholders for approval in accordance with the Articles of Association.

For these purposes, a "controlling Shareholder" means a person who satisfies any one of the following conditions:

- alone, or acting in concert with others, has the power to elect more than half of the Board of Directors;
- alone, or acting in concert with others, has the power to exercise or to control the exercise of thirty percent or more of the voting rights in our Company;
- alone, or acting in concert with others, holds thirty percent or more of the issued Shares of our Company; or
- alone, or acting in concert with others, in any other manner controls our Company in fact.

DIRECTORS AND BOARD OF DIRECTORS

Directors

There is no requirement for our Directors to hold shares of our Company.

Our Directors shall comply with the laws, administrative regulations and the Articles of Association and shall faithfully perform their due diligence obligations to our Company.

Subject to the prior approval at the Shareholders' general meeting, our Company shall include the compensation matters in the written contract to be entered between our Company and our Directors or Supervisors. The stated compensation matters shall include: the compensation of the Directors, Supervisors and senior management of our Company; the compensation of directors, supervisors and senior management of our Company's subsidiaries; the compensation for the services provided in managing our Company and subsidiaries; any compensation for our Directors and Supervisors due to their loss of position or retirement. Unless based on the aforementioned contract, our Directors and Supervisors shall not take legal actions against our Company for the compensation matters stated above.

Our Company shall not provide loans or loan guarantees directly or indirectly to directors, supervisors, general manager or other senior management of both our Company and its parent company nor shall our Company provide loans or loan guarantees to affiliated parties of such individuals.

The rule above does not apply to the following situations: loans or loan guarantees provided by our Company to subsidiaries; loans, loan guarantees or other funds provided by our Company, based on the letter of appointment approved at the Shareholders' general meeting, to our Directors, Supervisors, general manager or other senior management to reimburse them on the expenses incurred by them for the interest of our Company or for discharging their respective responsibilities.

Any and all reasonable expenses incurred by our Directors for the purpose of attending Board meetings shall be borne by our Company.

Our Directors shall be elected by a Shareholders' general meeting. The term of office of our Directors shall be three years, and, upon expiration of such office term, our Directors may serve consecutive terms if reappointed, provided that the office term of our independent non-executive Directors shall be no more than six consecutive years. Subject to relevant laws and administrative regulations, our Shareholders may approve the removal of any Director before expiration of his/her office term by an ordinary resolution in a general meeting.

Board of Directors

Our Company shall set up a board of Directors. The Board of Directors shall comprise 11 Directors, including one chairman. The Directors of our Company include executive Directors, non-executive Directors and independent non-executive Directors. An executive Director is a Director who holds any operation and management position in our Company. A non-executive Director is a director who does not hold any operation and management position in our Company and is not legally independent.

The Board of Directors shall be independent of any controlling institution (which means a company, enterprise or institution with legal person status and having a controlling shareholding in our Company, same as below).

At least half or more than half of the members of the Board of Directors shall be external Directors (which means those Directors who do not hold any office under our Company, same as below) and at least one-third of the members shall be independent non-executive Directors (which means Directors who do not hold any other office under our Company, except for being a Director, are in compliance with the requirements of the independence of independent Directors under the Listing Rules and have no relationship with our Company and its substantial shareholder which may affect their independent and objective judgment, same as below), and at least one independent non-executive Director shall be an accounting professional (a professional with senior title or the qualification of a certified public accountant).

The Board of Directors shall be accountable to the general meetings and exercise the following powers and functions:

1. to convene a general meeting and report its work to the general meeting;

2. to implement the resolutions of the general meetings;

3. to determine our Company's business plans and investment plans;

4. to formulate our Company's plans on annual financial budgets and final accounts;

5. to formulate our Company's profit distribution plans and plans on making up losses;

6. to formulate the proposal for increase or decrease of the registered capital of our Company and issue of bonds of our Company;

7. to formulate plans for merger, division or dissolution of our Company;

8. to determine the establishment of our Company's internal management body;

9. to appoint or dismiss the president of our Company and, based on the nomination by the president, to appoint or dismiss the vice president and other senior management officer (including the personnel in charge of financial affairs) and to determine their remunerations;

10. to formulate the basic management system of our Company;

11. to formulate proposals for amendments to the Articles of Association; and

12. other powers and functions specified by the Articles of Association or conferred by the general meeting.

Resolutions adopted by the Board of Directors on matters referred to in the preceding paragraph may be passed by a simple majority of all Directors, save that those resolutions concerning matters referred to in items (6), (7) and (11) shall be passed by more than two thirds of all Directors.

The Board of Directors is entitled to determine external investments, acquisition and disposal of assets, security of assets, matters in respect of external guarantees, entrusted management of wealth and connected transactions of our Company within the authorisation of the general meeting.

The Board of Directors of our Company shall explain to the general meeting when a certified public accountant issues a non-standard audit opinion in respect of our Company's financial reports.

If any Director has connection with the enterprise involved in the resolution made at a Board meeting, the said Director shall not vote on the said resolution for himself or on behalf of another Director. The Board meeting may be held when more than half of the non-connected Directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the matter shall be submitted to the Shareholders' general meeting for examination.

Borrowing power

Subject to compliance with applicable laws, administrative regulations and the Listing Rules, our Company has the power to raise and borrow money, which includes, without limitation, the issue of debentures and the charging or mortgaging of our Company's properties. Our Company also has the right to provide guarantee for any third party. The Articles of Association do not contain any specific provision in respect of the manner in which issuing bonds may be exercised by the Directors nor do they contain any specific provision in respect of the manner in which such powers may be varied, other than: (a) provisions which give the Board the power to formulate proposals for the issue of bonds by our Company; and (b) provisions which provide that the issue of bonds must be approved by the Shareholders' general meeting.

SUPERVISORY COMMITTEE

Our Company shall have a Supervisory Committee. The Supervisory Committee is a permanent supervisory body of our Company responsible for supervising the Board of Directors and each Director, the president, the vice president and any other senior management officer of our Company, preventing them from abusing their powers and infringing the lawful rights and interests of the shareholders, our Company and its employees.

The Supervisory Committee shall be accountable to the Shareholders' general meeting and exercise the following functions and powers in accordance with law:

1. to examine our Company's financial situation;

2. to supervise the behaviours of the directors, the president and other senior management officers of our Company who are in breach of laws, administrative regulations or the Articles of Association in performing their duties;

3. to demand that from the directors, the president and other senior management officers of our Company who act in a manner which is harmful to our Company's interest rectify such behaviour;

4. to examine the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the board of directors to the general meetings and, to engage certified public accountants or practising auditors in the name of our Company to assist in the review whenever queries arise;

5. to propose to convene a Shareholders' extraordinary general meeting;

6. to represent our Company in negotiation with or in instituting legal proceedings against directors; and

7. other functions and powers specified by law or the Articles of Association or conferred by the general meeting.

The Supervisors shall attend Board meetings.

FINANCIAL REPORTS

Our Company shall publish its annual financial reports within four months from the ending date of each fiscal year and the interim financial reports within three months from the ending date of the first six months of each fiscal year. Our Company shall disclose its financial reports in accordance with laws, regulations or requirements of the regulatory authorities.

The Board shall place before the Shareholders at every annual general meeting such financial reports as are required by any laws, regulations, by-laws or directives to be prepared by our Company. The annual financial report shall be made by our Company up to a date falling not more than 6 months before the date of the annual general meeting.

Our Company's financial reports shall be made available for Shareholders' inspection at our Company 20 days before the date of every annual general meetings. Each Shareholder shall be entitled to obtain a copy of the financial reports referred to in this Chapter.

Unless otherwise required by this Articles of Association, our Company shall deliver, by hand or by prepaid post, the abovementioned report or report of the Directors (together with balance sheet and income statement) to the address of each Shareholder holding the overseas listed Foreign Shares as registered in the register of Shareholders at least 21 days before such annual general meeting.

The financial statements of our Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the overseas place where our Shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, explanations shall be made in the financial statements. When our Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

Any interim results or financial information published or disclosed by our Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas place where our Shares are listed.

Our Company will not keep accounts other than those stipulated by law. Assets of our Company shall not be deposited in an account maintained in the name of any individual.

LIQUIDATION

Our Company shall be dissolved and liquidated according to laws upon the occurrence of the following events:

(i) the business term of our Company set out in its Articles of Association expires, or other termination event occurs;

(ii) resolution on dissolution is passed by Shareholders at a general meeting;

(iii) dissolution is necessary due to a merger or division of our Company;

(iv) where our Company gets into serious trouble in operations and management and its continuation may cause substantial loss to the interests of its Shareholders, and no solution can be found through any other channel, Shareholders representing 10% or more of the total voting rights of our Company may request the people's court to dissolve our Company;

(v) our Company is ordered to close down due to violation of laws and administrative regulations.

In case of dissolution according to items (i) and (ii) above, a liquidation team shall be established within fifteen days, and members thereof shall be determined by the Shareholders' general meeting through ordinary resolution.

In case of dissolution due to circumstances described in item (iii) above, the liquidation shall be carried out by the parties to such division or merger in accordance with the contract(s) signed in respect of such division or merger.

If our Company is dissolved in accordance with item (iv) above, the People's court shall, according to the relevant laws and regulations, organise Shareholders, relevant institutions and professionals to establish liquidation team and carry out liquidation.

If our Company is dissolved in accordance with item (v) above, the relevant regulatory authority shall organise Shareholders, relevant institutions and professionals to establish liquidation team and carry out liquidation.

Where the Board proposes to liquidate our Company due to causes other than where our Company has declared that it is insolvent, the Board shall include a statement in its notice convening a Shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of our Company, the Board is of the opinion that our Company will be able to pay its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the Shareholders in general meeting for the liquidation of our Company, all functions and powers of the Board shall cease.

The liquidation team shall act in accordance with the instructions of the Shareholders' general meeting to make a report at least once every year to the Shareholders' general meeting on the committee's receipts and payments, the business of our Company and the progress of the liquidation and to present a final report to the Shareholders' general meeting on completion of the liquidation.

During the liquidation period, the liquidation team shall exercise the following functions and duties:

(i) to ascertain our Company's assets and separately prepare a balance sheet and an inventory of assets;

(ii) to notify creditors by sending notice or by making announcement;

(iii) to deal with and settle our Company's outstanding business deals in relation to the liquidation;

(iv) to settle outstanding taxes as well as taxes arising in the course of liquidation;

(v) to ascertain all claims and debts;

(vi) to dispose of the remaining assets of our Company after the repayment of debts; and

(vii) to represent our Company in any civil proceedings.

The liquidation team shall notify creditors within 10 days from the date of its establishment and make announcement three times at least, such as by newspaper, within sixty (60) days of that date. Creditors should, within 30 days after receipt of the notice, or for those who do not receive the notice, within 45 days from the first date of the announcement, declare their claims to the liquidation team.

When declaring their claims, creditors shall explain relevant particulars of their claims and provide supporting materials. The liquidation team shall register the claims.

After checking our Company's assets and preparing a balance sheet and an inventory of assets, the liquidation team shall formulate a liquidation plan and submit the same to a general meetings or relevant competent authorities for confirmation.

Our Company's remaining assets after repayment in accordance with the relevant laws and regulations shall be distributed among our Shareholders according to the proportion and class of Shares held by them. During the liquidation period, our Company shall not carry out or engage in any new business activities.

If the liquidation team, after ascertaining our Company's assets and preparing a balance sheet and an inventory of assets, discovers that our Company's assets are insufficient to repay its debts, it shall immediately apply to the people's court for a declaration of bankruptcy.

After our Company is declared bankrupt by a ruling of the people's court, the liquidation team shall transfer the liquidation matters to the people's court.

Following the completion of liquidation, the liquidation team shall present a report on liquidation and prepare a statement of the receipts and payments and the financial accounts for the period of the liquidation which shall be audited by PRC certified public accountants and then submitted to the Shareholders' general meeting or relevant competent authorities for confirmation.

The liquidation team shall submit the aforesaid documents to our Company registration authority, apply for cancelation of company registration, and announce the termination of our Company within 30 days after confirmation is obtained from the relevant competent authorities.

DISTRIBUTION OF PROFITS

When distributing the after-tax profits of the current year, our Company shall allocate 10% of its profits to its statutory common reserve fund. When the cumulative amount of the statutory common reserve fund of our Company has reached 50% or more of its registered capital, no further allocation is required.

When the statutory common reserve fund of our Company is insufficient to make up for the losses of our Company incurred during the prior year, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of our Company from its after-tax profits, our Company may, subject to resolutions to be passed at a general meeting, also allocate funds to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining profits shall be distributed to the Shareholders in proportion to their respective shareholdings.

If the Shareholders' general meeting or the meeting of the Board of Directors has, in violation of the provision of the preceding paragraph, distributed profits to the Shareholders before our Company has made up for its losses and made allocations to the statutory common reserve fund, the Shareholders must refund the profits distributed in violation of the provision to our Company.

Dividends shall be paid in proportion to Shareholder's shareholding within six months after the end of each fiscal year. The distribution plan of dividends shall be passed on the Shareholders' general meeting by ordinary resolution. Unless otherwise resolved on the Shareholders' general meeting, the Shareholders' general meeting may authorise the Board of Directors to distribute interim dividends. After the Shareholders' general meeting has resolved the profit-distribution plan, our Board of Directors shall complete the distribution of dividends (or shares) within two months after the said Shareholders' general meeting.

Holders of Shares which have been paid up before payment calls by our Company are entitled to dividends. Holders of prepaid Shares are not entitled to dividends declared thereafter.

Our Company shall have the right to terminate sending dividend warrants to holders of overseas listed Foreign Shares by mail, but our Company shall exercise the right only after a dividend warrant fails to be redeemed for two consecutive occasions, however our Company can exercise the right after the first occasion on which such a dividend warrant is returned as undelivered.

Our Company shall have the power to sell, in such manner as the Board thinks fit, any overseas listed Foreign Shares of a Shareholder of who is untraceable, but is subject to the following conditions:

(i) our Company has distributed dividends for at least 3 times in respect of such Shares within 12 years, but none of such dividends was claimed; and

(ii) our Company, after the expiration of a period of 12 years, made an advertisement on one or more newspapers of the place which our Company is listed, stating its intention to sell such Shares, and notified the stock exchange of the place which our Company is listed of such intention.

Our Company shall appoint receiving agents on behalf of the holders of overseas listed Foreign Shares to receive on behalf of such Shareholders dividends declared and all other monies owing by our Company in respect of such Shares.

The receiving agents appointed by our Company shall satisfy the relevant requirements of the laws of the place and relevant regulations of the stock exchange where our Shares are listed.

The receiving agents appointed on behalf of holders of overseas listed Foreign Shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

AMENDMENTS TO THE ARTICLES

Our Company may amend the Articles of Association in accordance with the laws, administrative regulations and the Articles of Association. The Board of Directors may amend the Articles of Association in accordance with the resolution on amendments to the Articles passed at the Shareholders' general meeting and the approval opinions of the relevant competent authorities (if necessary).

The amendments to the Articles of Association involving the contents of the Mandatory Provisions for the Articles of Association of Companies Listing Overseas (到境外上市公司章程必備條款) shall become effective upon approvals or consents by the approval authorities (if necessary). If there is any change relating to the registered particulars of our Company, application shall be made for registration of the change in accordance with law.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was established as a joint stock limited company under the PRC Company Law on 23 May 2011, converting from our predecessor, Shanghai La Chapelle Fashion Limited (上海拉夏貝爾服飾有限公司), a PRC limited liability company. Our Company has established a principal place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 10 January 2014. Ms. Wong Wai Ling, one of our joint company secretaries, has been authorised to accept service of process and notices on behalf of our Company in Hong Kong.

We are incorporated, and all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and that there are different risk factors relating to investment in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of our H Shares. Such differences and risk factors are set forth in "Risk Factors", "Regulatory Overview", Appendix IV – "Summary of Principal Legal and Regulatory Provisions" and Appendix V – "Summary of Articles of Association".

2. Changes in the Share Capital of Our Company

On 14 March 2001, our predecessor was established with a registered share capital of RMB500,000, which has been fully paid. The initial shareholders were Mr. Xing Jiaxing and Mr. Wu Jinying (吳金應).

As at 1 January 2010, the registered share capital of our predecessor was RMB7,500,000 and the shareholders were Mr. Xing Jiaxing, Wuxi New Baolian Investment Co., Ltd. (無錫市新寶聯投資有限公司), Nanjing Jinlu, Ms. Zhang Danling (章丹玲), Mr. Wu Jinying (吳金應), Mr. Yu Tiecheng (俞鐵成) and Mr. Zhang Jiangmin (張江敏).

On 23 March 2010, Boxin First Phase and Shanghai Ronggao, pursuant to an equity transfer agreement, acquired a 20% equity interest and a 10% equity interest in our predecessor, respectively, from Wuxi New Baolian Investment Co., Ltd. (無錫市新寶聯投資有限公司), at a consideration of RMB26,000,000 and RMB13,000,000, respectively. Wuxi New Baolian Investment Co., Ltd. (無錫市新寶聯投資有限公司) is an Independent Third Party and the consideration was agreed through an evaluation process conducted by an independent appraiser.

On 8 April 2010, Mr. Xing Jiaxing, pursuant to an equity transfer agreement, acquired a further 5% equity interest in our predecessor from Nanjing Jinlu, at a consideration of RMB6,180,000, which was agreed through commercial negotiations.

On 8 April 2010, Shanghai Hexia acquired: (i) a 2% equity interest in our predecessor from Shanghai Ronggao, at a consideration of RMB2,600,000; (ii) a 5% equity interest in our predecessor from Ms. Zhang Danling (章丹玲), at a consideration of RMB5,050,000; (iii) a 3.25% equity interest in our predecessor from Mr. Wu Jinying (吳金應), at a consideration of RMB3,282,500; and (iv) a 5% equity interest in our predecessor from Nanjing Jinlu, at a consideration of RMB6,180,000. The consideration was agreed through commercial negotiations.

As at the date of the establishment of our Company as a joint stock limited company under the PRC Company Law on 23 May 2011, our initial registered capital was RMB210,000,000, divided into 157,500,000 Domestic Shares and 52,500,000 Foreign Shares with nominal value of RMB1.00 each, all of which were fully paid up or credited as fully paid up and were held as follows:

Name	Number of Shares held	Percentage of Shareholding (%)
Mr. Xing Jiaxing	85,984,500	40.945
Good Factor	52,500,000	25.000
Boxin First Phase	28,463,400	13.554
Shanghai Hexia	27,396,600	13.046
Shanghai Ronggao	11,386,200	5.422
Mr. Yu Tiecheng	2,845,500	1.355
Mr. Zhang Jiangmin	1,423,800	0.678
Total	210,000,000	100.000

On 7 February 2013, (1) our registered share capital was increased by RMB136,500,000 by the creation of 136,500,000 Shares; (2) our Company allotted and issued all such Shares, credited as fully paid, to the then existing shareholders on a pro-rata basis; and (3) as a result, the Shares were held as follows:

Name	Number of Shares held	Percentage of Shareholding (%)
Mr. Xing Jiaxing	141,874,425	40.945
Good Factor	86,625,000	25.000
Boxin First Phase	46,964,610	13.554
Shanghai Hexia	45,204,390	13.046
Shanghai Ronggao	18,787,230	5.422
Mr. Yu Tiecheng	4,695,075	1.355
Mr. Zhang Jiangmin	2,349,270	0.678
Total	346,500,000	100.000

On 27 June 2013, (1) our registered share capital was increased by RMB18,236,842 to RMB364,736,842 by the creation of 18,236,842 Domestic Shares; and (2) our Company allotted and issued these 18,236,842 Domestic Shares, credited as fully paid, to Beijing Goldman Sachs.

On 9 August 2013, Boxin First Phase transferred Shares to Asia Alternatives Q Fund and Boxin China and after the completion of the transfer, Boxin China owns 19,437,042 Unlisted Foreign Shares and Asia Alternatives Q Fund owns 4,045,263 Domestic Shares.

Save as disclosed above and in "– Resolutions in Writing of Our Shareholders Passed on 11 August 2013 and 12 September 2013" below, there has been no alteration in the share capital of our Company since its establishment as a joint stock limited company.

3. Our interest in Shanghai Lagogo Fashion Co., Ltd.

On 24 January 2008, we invested RMB4 million and acquired a 40% interest in Shanghai Lagogo Fashion Co., Ltd. (上海拉谷谷時裝有限公司), a joint venture between us and Nanjing Jinlu. Nanjing Jinlu is currently an Independent Third Party, and the consideration was agreed through commercial negotiations.

We sold all of our 40% interest in Shanghai Lagogo Fashion Co., Ltd. (上海拉谷谷時裝有限公司) to Jiangsu Hua Rui Fashion Co., Ltd. (江蘇華瑞服裝有限公司), an Independent Third Party, at a consideration of RMB6.18 million, in line with our plans to focus and develop our own brands. The consideration was determined based on our understanding of the market value of our Company then and the corresponding value of Nanjing Jinlu's interest in our Company and of Shanghai Lagogo Fashion Co., Ltd. (上海拉谷谷時裝有限公司). The interest was effectively transferred on 7 May 2010.

4. Our Principal Subsidiaries

For further details on our principal subsidiaries, please refer to Appendix I – "Accountant's Report".

5. Changes in the Share Capital of our Subsidiaries

There has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Resolutions in Writing of Our Shareholders Passed on 11 August 2013, 12 September 2013 and 31 July 2014

Pursuant to the written resolutions passed by our Shareholders on 11 August 2013, 12 September 2013 and 31 July 2014, the following matters (among others) were approved:

(a) the issue by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall not be more than 25% of the total issued share capital of our Company as enlarged by the Global Offering, and the grant to the underwriters (or their representatives) the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) the authorisation to the Board to amend the Articles of Association in accordance with the requirements by the relevant regulatory authorities in accordance with the relevant laws and regulations subject to the completion of the Global Offering, the amendment and conditional adoption of the Articles of Association, which shall become effective on the Listing Date; and

(d) authorisation of certain Directors and senior management to handle matters relating to, among other things, all matters relating to the Global Offering, the issue and listing of the H Shares.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) the Hong Kong Underwriting Agreement;

(b) the share subscription agreement dated 27 May 2013 entered into among our Company, Mr. Xing Jiaxing, Shanghai Hexia, Mr. Yu Tiecheng (俞鐵成), Mr. Zhang Jiangmin (張江敏), Good Factor, Boxin First Phase, Shanghai Ronggao and Beijing Goldman Sachs, details of which are set out in "Investments in Our Company", as amended and supplemented by the GS Supplemental Agreement;

(c) the shareholders agreement dated 27 May 2013 entered into among our Company, Mr. Xing Jiaxing, Shanghai Hexia, Mr. Yu Tiecheng (俞鐵成), Mr. Zhang Jiangmin (張江敏), Good Factor, Boxin First Phase, Shanghai Ronggao and Beijing Goldman Sachs, as amended and supplemented by the GS Supplemental Agreement;

(d) the supplemental agreement dated 8 August 2013 entered into among our Company, Mr. Xing Jiaxing, Shanghai Hexia, Mr. Yu Tiecheng (俞鐵成), Mr. Zhang Jiangmin (張江敏), Good Factor, Boxin First Phase, Shanghai Ronggao and Beijing Goldman Sachs, to amend and supplement the GS Shareholders Agreement and the GS Subscription Agreement;

(e) the waiver letter dated 20 January 2014 provided by Beijing Goldman Sachs and acknowledged and agreed by our Company, Mr. Xing Jiaxing, Shanghai Hexia, Mr. Yu Tiecheng (俞鐵成), Mr. Zhang Jiangmin (張江敏), Good Factor, Boxin First Phase and Shanghai Ronggao, in connection with the GS Subscription Agreement, the GS Shareholders Agreement and the GS Supplemental Agreement;

(f) the Deed of Non-Competition;

(g) a Sino-foreign joint venture agreement dated 22 July 2014 entered into between the Company and ICL-Marc Ecko Limited relating to establishment of a Sino-foreign joint venture, Marc Ecko China, with the Company contributing RMB12,750,000 by cash to acquire 85% equity interest in Marc Ecko China;

(h) an Alibaba retail industry O2O service agreement dated 19 August 2014 entered into between the Company and Zhejiang Tmall Technology Limited (浙江天貓技術有限公司) relating to the provision of the O2O solution service by Alibaba Group Holding Limited and its websites and Zhejiang Tmall Technology Limited for a fee calculated pursuant to the formula specified therein;

(i) a land use right transfer agreement dated 19 May 2014 entered into between La Chapelle Fashion (Taicang) Co., Ltd. (拉夏貝爾服飾(太倉)有限公司) and Taicang Ministry of Land and Resources (太倉市國土資源局) relating to our acquisition of a parcel of land with a total area of 72,459.32 square metres for a consideration of RMB18,480,000;

(j) a Tianjin land use right transfer agreement (industrial development type) dated 26 May 2014 entered into between La Chapelle (Tianjin) Co., Ltd. (拉夏貝爾服飾(天津)有限公司) and Xiqing District Land and Resources Branch of Tianjin Ministry of Land and Resources and Housing Management (天津市國土資源和房屋管理局西青區國土資源分局) relating to our acquisition of a parcel of land with a total area of 66,694.2 square metres for a consideration of RMB40,480,000;

(k) a land use right transfer agreement dated 15 January 2013 entered into between La Chapelle Fashion (Taicang) Co., Ltd. (拉夏貝爾服飾(太倉)有限公司) and Taicang Ministry of Land and Resources (太倉市國土資源局) relating to our acquisition of a parcel of land with a total area of 54,462.8 square metres for a consideration of RMB13,890,000;

(l) an investment agreement dated 7 July 2012 entered into between our Company and the People's Government of Dasi Town, Xiqing District of Tianjin (天津市西青區大寺鎮人民政府) in connection with the arrangements for the possible development of a regional operations centre in Tianjin for warehousing and logistics purposes;

(m) an investment agreement dated 12 March 2013 entered into between the Company and the People's Government of Wenjiang District of Chengdu (成都市溫江區人民政府) in connection with the arrangements for the possible development of a regional operations centre in Chengdu for warehousing and logistics purposes;

(n) a cornerstone investor agreement dated 18 September 2014, entered into among Chow Tai Fook Nominee Limited, the Sole Sponsor and the Company, pursuant to which Chow Tai Fook Nominee Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$20 million at the Offer Price; and

(o) a cornerstone investor agreement dated 18 September 2014, entered into among Senda International Capital Limited, the Sole Sponsor and the Company, pursuant to which Senda International Capital Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$30 million at the Offer Price.

2. Intellectual Property Rights of the Group

As at the Latest Practicable Date, members of the Group had registered or had applied for the registration of the following intellectual property rights which are material to our business.

(a) Trademarks

As at the Latest Practicable Date, members of the Group had registered the following trademarks which are material to our business:

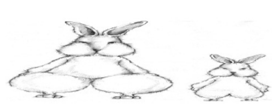
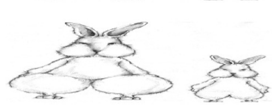
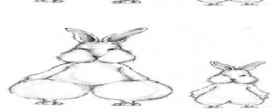
No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1	LA CHAPELLE 拉夏贝尔	25	Company	PRC	1326136	20/10/2019
2	LA CHAPELLE SPORT	25	Company	PRC	3432661	13/12/2014
3	LA CHAPELLE SPORT	25	Company	PRC	3613789	20/11/2015
4	LA CHAPELLE 拉夏贝尔	25	Company	PRC	3613790	20/11/2015
5	LA CHAPELLE 拉夏贝尔	18	Company	PRC	3613791	06/11/2015
6	LA CHAPELLE SPORT	18	Company	PRC	3613792	06/11/2015
7	La Chapelle	18	Company	PRC	6532888	13/06/2020
8	La Chapelle	25	Company	PRC	6532889	13/06/2020
9	La Chapelle SPORT	25	Company	PRC	6672502	27/07/2020
10	La Chapelle	43	Company	PRC	7045918	06/08/2020
11	La Chapelle	35	Company	PRC	7045919	13/09/2020
12	La Chapelle	32	Company	PRC	7045921	13/06/2020
13	La Chapelle	20	Company	PRC	7045922	20/06/2020
14	La Chapelle	9	Company	PRC	7045923	06/10/2020
15	La Chapelle	3	Company	PRC	7045924	06/07/2020
16	La Chapelle	14	Company	PRC	7170507	13/07/2020
17	La Chapelle Sport	9	Company	PRC	7325117	27/11/2020
18	La Chapelle Sport	14	Company	PRC	7325240	13/08/2020
19	La Chapelle Sport	26	Company	PRC	7325349	27/10/2020
20	La Chapelle	14	Company	PRC	7327893	13/08/2020

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
21		18	Company	PRC	7913254	20/01/2021
22		25	Company	PRC	7913371	06/01/2021
23		18	Company	PRC	7913275	20/01/2021
24		25	Company	PRC	7913397	06/01/2021
25		18	Company	PRC	7913303	06/01/2021
26		25	Company	PRC	7913337	06/01/2021
27		18	Company	PRC	8919691	06/08/2022
28		25	Company	PRC	8919712	13/12/2021
29	La Chapelle	22	Company	PRC	9094214	06/02/2022
30	La Chapelle SPORT	22	Company	PRC	9094219	06/02/2022
31	La Chapelle SPORT	23	Company	PRC	9094227	06/02/2022

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
32	La Chapelle	23	Company	PRC	9094229	06/02/2022
33	La Chapelle	24	Company	PRC	9094239	13/03/2022
34	La Chapelle SPORT	24	Company	PRC	9094247	13/03/2022
35	LA CHAPELLE HOMME E.S.T 2010	18	Company	PRC	9398462	06/06/2022
36	LA CHAPELLE HOMME E.S.T 2010	25	Company	PRC	9398499	13/05/2022
37	LA CHAPELLE HOMME·2011	18	Company	PRC	9452240	20/08/2022
38	LA CHAPELLE HOMME·2011	25	Company	PRC	9452267	27/05/2022
39	La Chapelle	25	Company	PRC	9713322	27/08/2022
40	拉·贝缇	18	Company	PRC	9886809	06/12/2022
41	La Babité	18	Company	PRC	9886871	20/11/2022
42	La Babité	25	Company	PRC	9886903	27/10/2022
43	拉夏贝尔	9	Company	PRC	9915321	06/11/2022
44	拉夏贝尔	16	Company	PRC	9915488	06/11/2022
45	拉夏贝尔	20	Company	PRC	9915505	06/11/2022
46	拉夏贝尔	21	Company	PRC	9915525	06/11/2022
47	拉夏贝尔	22	Company	PRC	9915552	06/11/2022
48	拉夏贝尔	23	Company	PRC	9915574	06/11/2022
49	拉夏贝尔	26	Company	PRC	9915611	06/11/2022
50	拉夏贝尔	32	Company	PRC	9918664	06/11/2022
51	拉夏贝尔	37	Company	PRC	9918781	06/11/2022
52	拉夏贝尔	39	Company	PRC	9918818	06/11/2022
53	拉夏贝尔	40	Company	PRC	9918889	06/11/2022
54	拉夏贝尔	41	Company	PRC	9918936	06/11/2022

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
55	拉夏贝尔	42	Company	PRC	9918993	06/11/2022
56	拉夏贝尔	43	Company	PRC	9919023	06/12/2022
57	拉夏贝尔	45	Company	PRC	9919064	06/11/2022
58	La Chapelle	16	Company	PRC	9919117	20/12/2022
59	La Chapelle	21	Company	PRC	9919156	20/12/2022
60	La Chapelle	26	Company	PRC	9923827	06/11/2022
61	La Chapelle	37	Company	PRC	9923905	06/11/2022
62	La Chapelle	39	Company	PRC	9923978	06/11/2022
63	La Chapelle	40	Company	PRC	9924051	06/11/2022
64	La Chapelle	41	Company	PRC	9924118	06/11/2022
65	La Chapelle	42	Company	PRC	9924164	06/11/2022
66	La Chapelle	45	Company	PRC	9924213	06/11/2022
67	7.Modifier	18	Company	PRC	9995486	27/12/2022
68		18	Company	PRC	10025628	27/11/2022
69		25	Company	PRC	10025685	27/11/2022
70	La Chapelle Sport RED LABEL	25	Company	PRC	10264349	13/03/2023
71	Candie's	18	Candie's Shanghai	PRC	1532896	06/03/2021
72	Candie's	25	Candie's Shanghai	PRC	1746943	13/04/2022
73	CANDIE'S	25	Candie's Shanghai	PRC	7027074	13/02/2022
74	CANDIE'S	24	Candie's Shanghai	PRC	7027075	20/10/2020
75	CANDIE'S	18	Candie's Shanghai	PRC	7027076	20/10/2020
76	CANDIE'S	14	Candie's Shanghai	PRC	7027077	13/06/2020
77	Candie's	35	Candie's Shanghai	PRC	7027086	20/11/2020

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
78	Candie's	25	Candie's Shanghai	PRC	7027087	13/01/2022
79	Candie's	24	Candie's Shanghai	PRC	7027088	20/10/2020
80	Candie's	18	Candie's Shanghai	PRC	7027089	20/10/2020
81	Candie's	14	Candie's Shanghai	PRC	7027090	13/06/2020
82	CANDIE'S	35	Candie's Shanghai	PRC	7027093	20/11/2020
83	Candie's	24	Candie's Shanghai	PRC	8052159	13/02/2021
84	Candie's	27	Candie's Shanghai	PRC	8052158	13/02/2021
85	Candie's	26	Candie's Shanghai	PRC	8555726	20/10/2021
86	Candie's	16	Candie's Shanghai	PRC	8581037	06/05/2023
87	La Chapelle	18, 24, 25	Company	European Union	No 010483204	11/12/2021
88	La Chapelle	18	Company	Macau	N/061897	16/08/2019
89	La Chapelle	25	Company	Macau	N/061898	16/08/2019
90	La Chapelle	18	Company	Taiwan	01525011	30/06/2022
91	La Chapelle	25	Company	Taiwan	01525243	30/06/2022
92	La Chapelle	18, 25	Company	Hong Kong	302106873	07/12/2021
93	La Chapelle	18	Company	United States	4281633	29/01/2023
94	La Chapelle	25	Company	United States	4281632	29/01/2023
95	La Chapelle	18, 25	Company	Korea	40-0948718	14/01/2023
96	La Chapelle	18	Company	Japan	5494581	18/05/2022
97	La Chapelle	25	Company	Japan	5494582	18/05/2022
98	La Chapelle	18	Company	PRC	9713191	13/02/2024
99	7.Modifier	25	Company	PRC	9995519	13/02/2024
100	莫丽菲尔	18	Company	PRC	10025757	06/01/2024

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
101	La Chapelle Sport BLACK LABEL	18	Company	PRC	10264283	06/10/2023
102	La Chapelle Sport BLACK LABEL	25	Company	PRC	10264298	13/03/2024
103	La Chapelle Sport RED LABEL	18	Company	PRC	10264325	13/03/2024
104	La Chapelle Sport BLUE LABEL	18	Company	PRC	10264395	20/08/2023
105	La Chapelle Sport BLUE LABEL	25	Company	PRC	10264429	06/08/2023
106		18	Company	PRC	10649426	06/07/2023
107		25	Company	PRC	10649563	20/07/2023
108	La Chapelle Junior	18	Company	PRC	10660687	20/05/2023
109	La Chapelle Junior	25	Company	PRC	10660800	06/06/2023
110	La Chapelle Junior	28	Company	PRC	10660874	13/06/2023
111	La Chapelle Kids	18	Company	PRC	10659915	20/05/2023
112	La Chapelle Kids	25	Company	PRC	10660253	06/07/2023
113	La Chapelle Kids	28	Company	PRC	10660354	20/07/2023
114	LA CHAPELLE HOMME	25	Company	PRC	10966228	06/09/2023
115		16	Company	PRC	11246358	20/12/2023
116		24	Company	PRC	11246468	20/12/2023
117		28	Company	PRC	11246802	13/02/2024
118	La Chapelle Sport	18	Company	PRC	11374844	20/01/2024
119	La Chapelle Sport	25	Company	PRC	11374925	20/01/2024

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
120		16	Company	PRC	11246693	20/12/2023
121		24	Company	PRC	11247021	20/12/2023
122		25	Company	PRC	11246889	20/12/2023
123		28	Company	PRC	11247169	20/12/2023
124	Candie's	16	Candie's Shanghai	PRC	9449174	06/05/2023

As at the Latest Practicable Date, members of the Group had applied for the registration of the following trademarks:

No.	Trademark	Type and Class	Name of Applicant	Place of Application	Application Number	Application Date
1	拉·贝缇	25	Company	PRC	9886833	24/08/2011
2	拉夏贝尔	14	Company	PRC	9915460	31/08/2011
3	莫丽菲尔	25	Company	PRC	10025804	29/09/2011
4	LA CHAPELLE HOMME	18	Company	PRC	10966075	24/05/2012
5		25	Company	PRC	11246631	24/07/2012
6	La Chapelle Mini	18	Company	PRC	11726415	09/11/2012
7	La Chapelle Mini	25	Company	PRC	11726474	09/11/2012
8	La Chapelle mini	18	Company	PRC	11726313	09/11/2012
9	La Chapelle mini	25	Company	PRC	11726367	09/11/2012
10	La La Chapelle	18	Company	PRC	11726642	09/11/2012

No.	Trademark	Type and Class	Name of Applicant	Place of Application	Application Number	Application Date
11	La Chapelle	25	Company	PRC	11726681	09/11/2012
12	Laetía by La Chapelle	18	Company	PRC	12044655	14/01/2013
13	Laetía by La Chapelle	25	Company	PRC	12044581	14/01/2013
14		18	Company	PRC	12077535	21/01/2013
15		25	Company	PRC	12077617	21/01/2013
16	POTE	18	Company	PRC	12139209	01/02/2013
17	POTE	25	Company	PRC	12139266	01/02/2013
18	La Chapelle Kids	18	Company	PRC	12882445	08/07/2013
19	La Chapelle Kids	25	Company	PRC	12882533	08/07/2013
20	Puella	18	Company	PRC	13500717	07/11/2013
21	Puella	25	Company	PRC	13500773	07/11/2013
22	La Chapelle	18, 25	Company	Canada	TMA849383	21/12/2011

(b) Domain Names

As at the Latest Practicable Date, members of our Group had registered the following domain names which are material to our business:

No	Domain Name	Registrant	Date of Registration	Expiry Date
1	poteman.cn	Company	08/03/2013	08/03/2017
2	lovepote.cn	Company	08/03/2013	08/03/2017
3	lovepote.com	Company	08/03/2013	08/03/2017
4	pote-fashion.com	Company	08/03/2013	08/03/2017
5	pote-man.cn	Company	08/03/2013	08/03/2017
6	lachapellesport.com	Company	27/10/2012	28/10/2014
7	lachapellesport.net.cn	Company	19/11/2012	19/11/2017
8	lachapellesport.com.cn	Company	19/11/2012	19/11/2017
9	lachapellesport.cn	Company	19/11/2012	19/11/2017
10	lachapellesport.net	Company	07/11/2012	08/11/2017
11	拉夏貝爾.cn	Company	22/08/2011	22/08/2015
12	拉夏貝爾.中國	Company	22/08/2011	22/08/2015
13	拉夏貝爾.net	Company	06/06/2007	06/06/2016
14	拉夏貝爾.cc	Company	06/06/2007	06/06/2016
15	lachapelle.net.cn	Company	06/06/2007	06/06/2016
16	lachapelle.cc	Company	06/06/2007	06/06/2016
17	7modifier.cn	Company	31/03/2012	31/03/2015
18	7modifier.com.cn	Company	31/03/2012	31/03/2015
19	modifier.cn	Company	28/03/2012	28/03/2015
20	7modifier.com	Company	22/03/2012	23/03/2015
21	lachapelle.cn	Company	11/03/2005	11/03/2017
22	lachapelle.sh.cn	Company	04/04/2007	04/04/2017
23	lachapelle-homme.cn	Company	18/08/2011	18/08/2015
24	lachapellehomme.cn	Company	18/08/2011	18/08/2015
25	lahomme.com.cn	Company	18/08/2011	18/08/2015
26	lahomme.cn	Company	18/08/2011	18/08/2015
27	lachapelle-homme.com	Company	08/08/2011	09/08/2015
28	lachapellehomme.com	Company	08/08/2011	09/08/2015
29	lahomme.net	Company	08/08/2011	09/08/2015
30	拉夏貝爾.網絡	Company	06/06/2007	21/08/2016
31	candies.com.cn	Company	07/03/2006	07/03/2015
32	拉夏貝爾.公司	Company	20/05/2008	21/08/2016
33	拉夏貝爾.com	Company	19/05/2008	20/05/2016
34	lachapellekids.cn	Company	03/05/2013	03/05/2017
35	lachapellekids.com.cn	Company	03/05/2013	03/05/2017
36	lachapelle-kaoqin.cn	Company	01/04/2014	01/04/2017
37	lachamail.com	Company	23/04/2014	24/04/2017
38	lachamail.cn	Company	24/04/2014	24/04/2017
39	lamail.cn	Company	24/04/2014	24/04/2017
40	上海拉夏貝爾服飾.cn	Company	16/04/2014	16/04/2015
41	上海拉夏貝爾服飾.com	Company	16/04/2014	16/04/2015
42	上海拉夏貝爾服飾.net	Company	16/04/2014	16/04/2015
43	上海拉夏貝爾.cn	Company	16/04/2014	16/04/2015
44	上海拉夏貝爾.com	Company	16/04/2014	16/04/2015
45	上海拉夏貝爾.net	Company	16/04/2014	16/04/2015
46	拉夏貝爾	Company	27/03/2006	27/03/2016
47	lachapelle	Company	16/03/2011	16/03/2015

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors, Supervisors and the Chief Executive of Our Company

Immediately following completion of the Global Offering and without taking into account any H Shares which may be sold pursuant to the exercise of the Over-allotment Option, the interests or short positions of the Directors, Supervisors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the H Shares are listed will be as follows:

Long position in the Shares

			Immediately after completion of the Global Offering and assuming the Over-allotment Option is not exercised	
Name of Director	**Nature of interest and capacity**	**Number of shares interested**	**Approximate percentage of shareholding in the relevant class of Shares**	**Approximate percentage of shareholding in the total issued share capital of the Company**
Mr. Xing Jiaxing(1)	Beneficial owner, interest in a controlled corporation, deemed interest pursuant to section 318 of the SFO	187,078,815 Domestic Shares	72.32	38.47

(1) Mr. Xing Jiaxing is the beneficial owner of 141,874,425 Domestic Shares, which will represent approximately 29.17% of the total issued share capital of the Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised). As Mr. Xing Jiaxing holds more than one-third of the equity interest in the registered capital of Shanghai Hexia, he is deemed, pursuant to section 316 of the SFO, to be interested in the Shares in which Shanghai Hexia is interested (being 45,204,390 Domestic Shares, which will represent approximately 9.30% of the total issued share capital of the Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)). In addition, Mr. Xing Jiaxing and Shanghai Hexia entered into an Act-in-Concert Agreement (the "New Concert Agreement") on 9 January 2014 (please refer to "Our Controlling Shareholders – Our Controlling Shareholders" for details). As the New Concert Agreement is an agreement to which section 317 of the SFO applies, Mr. Xing Jiaxing is also deemed, pursuant to section 318 of the SFO, to be interested in the Shares in which Shanghai Hexia is interested (being the 45,204,390 Domestic Shares mentioned above, which will represent approximately 9.30% of the total issued share capital of the Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)).

(b) Interests of the Substantial Shareholders

So far as is known to any Director or chief executive of our Company, immediately following completion of the Global Offering and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the 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 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 the Underlying Shares

			Immediately after completion of the Global Offering and assuming the Over-allotment Option is not exercised	
Name of Shareholder	**Nature of interest and capacity**	**Number of Shares interested**	**Approximate percentage of shareholding in the relevant class of Shares**	**Approximate percentage of shareholding in the total issued share capital of the Company**
Mr. Xing Jiaxing[(1)]	Beneficial owner, interest in a controlled corporation, deemed interest pursuant to section 318 of the SFO	187,078,815 Domestic Shares	72.32	38.47
Good Factor	Beneficial owner	86,625,000 H Shares	41.61	17.81
Shanghai Hexia[(2)]	Beneficial owner, deemed interest pursuant to section 318 of the SFO	187,078,815 Domestic Shares	72.32	38.47
LC Fund IV	Interest in a controlled corporation	86,625,000 H Shares	41.61	17.81
Beijing Goldman Sachs . .	Beneficial owner	18,236,842 Domestic Shares	7.05	3.75

(1) Mr. Xing Jiaxing is the beneficial owner of 141,874,425 Domestic Shares, which will represent approximately 29.17% of the total issued share capital of the Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised). As Mr. Xing Jiaxing holds more than one-third of the equity interest in the registered capital of Shanghai Hexia, he is deemed, pursuant to section 316 of the SFO, to be interested in the Shares in which Shanghai Hexia is interested (being 45,204,390 Domestic Shares, which will represent approximately 9.30% of the total issued share capital of the Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)). In addition, Mr. Xing Jiaxing and Shanghai Hexia entered into the New Concert Agreement on 9 January 2014 (please refer to "Our Controlling Shareholders – Our Controlling Shareholders" for details). As the New Concert Agreement is an agreement to which section 317 of the SFO applies, Mr. Xing Jiaxing is also deemed, pursuant to section 318 of the SFO, to be interested in the Shares in which Shanghai Hexia is interested (being the 45,204,390 Domestic Shares mentioned above, which will represent approximately 9.30% of the total issued share capital of the Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)).

(2) Shanghai Hexia is the beneficial owner of 45,204,390 Domestic Shares, which will represent approximately 9.30% of the total issued share capital of the Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised). As Shanghai Hexia and Mr. Xing Jiaxing entered into the New Concert Agreement on 9 January 2014 (please refer to "Our Controlling Shareholders – Our Controlling Shareholders" for details) and the New Concert Agreement is an agreement to which section 317 of the SFO applies, Shanghai Hexia is also deemed, pursuant to section 318 of the SFO, to be interested in the Shares in which Mr. Xing Jiaxing is interested (being 141,874,425 Domestic Shares, which will represent approximately 29.17% of the total issued share capital of the Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)).

2. Directors' and Supervisors' Service Contracts

We have entered into a service contract with each of our Directors and Supervisors pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, containing among others, provisions required under the above-mentioned rules, such as compliance with relevant laws and regulations, observation of the Articles of Association and provisions on arbitration. Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors.

3. Directors' and Supervisors' Remuneration

The aggregate remuneration and benefits in kind paid to our Directors and Supervisors in FY2011, FY2012 and FY2013, 1HFY2013 and 1HFY2014 were approximately RMB7.1 million, RMB9.1 million, RMB5.4 million, RMB3.4 million and RMB2.7 million, respectively.

Save as disclosed above, no other payments have been made or are payable in respect of FY2011 and FY2012 and FY2013 by any member of the Group to any of the Directors or Supervisors.

Under the arrangements currently in force, our Company estimates the aggregate remuneration payable to, and benefits in kind receivable by, our Directors and Supervisors in respect of the year ending 31 December 2014 to be approximately RMB4.1 million and RMB1.5 million, respectively.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors, Supervisors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the H Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and 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 is, 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;

(c) none of our Directors, Supervisors or any of the persons listed in "– Other Information – Qualification of Experts" below is interested 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 our Directors or Supervisors is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;

(e) save in connection with Underwriting Agreements, none of the persons listed in "– Other Information – Qualification of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) save for the Underwriting Agreements, none of the persons listed in "– Other Information – Qualification of Experts" below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(g) none of the Directors or Supervisors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(h) so far as is known to our Directors, none of our Directors, Supervisors or their associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers or the five largest suppliers of our Group; and

(i) none of our Directors is interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

D. OTHER INFORMATION

1. Litigation

As of the Latest Practicable Date, save as disclosed in "Business – Legal Compliance and Proceedings" in this prospectus, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

2. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

3. Sole Sponsor

CICC, our Sole Sponsor, has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering. All necessary arrangements have been made to enable such H Shares to be admitted into CCASS.

4. No material adverse change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 30 June 2014 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

5. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of 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) 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 our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;

(v) no commission has been paid or is payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;

(vi) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(vii) there has been no trading or dealing in the securities of the Company on any authorised trading facility;

(viii) there is no arrangement under which future dividends are waived or agreed to be waived;

(ix) our Company has no outstanding convertible debt securities; and

(x) our Company does not expect to be subject to the Sino-foreign Joint Venture Law of the PRC (中華人民共和國中外合資經營企業法).

(b) Our register of holders of H Shares will be maintained by our H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of H Shares must be lodged for registration with and registered by the H Share Registrar and may not be lodged in the PRC.

6. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
CICC	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
Grandall Law Firm (Shanghai)	PRC legal adviser to our Company
PricewaterhouseCoopers	Certified Public Accountants

7. Consents of experts

Each of CICC, Grandall Law Firm (Shanghai), and PricewaterhouseCoopers has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Promoters

Our Promoters are Mr. Xing Jiaxing, Good Factor, Boxin First Phase, Shanghai Hexia, Shanghai Ronggao, Mr. Yu Tiecheng (俞鐵成) and Mr. Zhang Jiangmin (張江敏). Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to our Promoters in connection with the Global Offering and the related transactions described in this prospectus.

9. Preliminary expenses

The preliminary expenses incurred by our Company were approximately HK$2,000 and were payable by our Company.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in Appendix VI – "Statutory and General Information – Other Information – Consents of Experts"; and

(c) a copy of each of the material contracts referred to in Appendix VI – "Statutory and General Information – Further Information About Our Business – Summary of Material Contracts".

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Linklaters at 10th 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) our Articles of Association;

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of the Group for the three financial years ended 31 December 2013 and the six months ended 30 June 2014;

(e) the PRC Company Law;

(f) the PRC legal opinion prepared by Grandall Law Firm (Shanghai), our PRC legal adviser, in respect of certain aspects of the Group and the property interests of the Group in the PRC;

(g) the material contracts referred to in Appendix VI – "Statutory and General Information – Further Information About Our Business – Summary of Material Contracts";

(h) the written consents referred to in Appendix VI – "Statutory and General Information – Other Information – Consents of Experts"; and

(i) the service contracts referred to in Appendix VI – "Statutory and General Information – Further Information about Our Directors, Supervisors and Substantial Shareholders – Directors' and Supervisors' Service Contracts".

La Chapelle