POWERLAND

Offering of 5,500,000 ordinary bearer shares

(and, additionally, 825,000 ordinary bearer shares from an over-allotment option)

This is an initial public offering of 5,000,000 new shares (the "**New Shares**") in Powerland AG (the "**Company**" or "**Powerland AG**" and collectively with its direct and indirect subsidiaries, "**Powerland**" or the "**Powerland Group**") and 500,000 shares (the "**Existing Offer Shares**") from the holding of Guo GmbH & Co. KG, an existing shareholder (the "**Selling Shareholder**") (the "**Offering**").

In addition, Macquarie Capital (Europe) Limited ("**Macquarie**" or the "**Sole Global Coordinator**") may affect over-allotments as part of the Offering of up to 825,000 additional shares (the "**Greenshoe Shares**"). The Greenshoe Shares have been granted to Macquarie by the Selling Shareholder by means of a securities loan for a potential over-allotment. To repay the securities loan, the Selling Shareholder has granted Macquarie an option exercisable within 30 calendar days after the commencement of trading to purchase all or some of the Greenshoe Shares at the offer price.

The Company will receive the net proceeds from the sale of the New Shares but will not receive any proceeds from the sales of Existing Offer Shares or Greenshoe Shares.

The Offering consists of public offerings in Germany and Luxembourg and private placements to institutional investors outside Germany, Luxembourg and the United States. The shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are only being offered and sold outside the United States in reliance on Regulation S under the Securities Act. For a description of restrictions on offers, sales and transfers of the shares and the distribution of this prospectus in other jurisdictions, see: *"Underwriting – Selling and Transfer Restrictions".*

Prior to the Offering, there has been no public market for the shares. Powerland AG intends to apply for admission of all of its up to 15,000,000 shares (including the New Shares) to trading on the regulated market *(Regulierter Markt)* of the Frankfurt Stock Exchange and the sub-sector of the regulated market with additional obligations arising from admission *(Prime Standard)* under the symbol 1PL.

See: "Risk Factors" for factors that should be considered before purchasing shares.

The price range within which purchase orders may be submitted, and specific dates for the start and end of the offer period, is expected to be published in the form of a supplement to this prospectus on the Company's website at (www.powerland.ag) and on an electronic information system, such as Reuters or Bloomberg, on 31 March 2011.

Delivery of the shares is expected to take place on 12 April 2011 through the book-entry facilities of Clearstream Banking AG, against payment for the shares in immediately available funds.

This document constitutes a prospectus for the purposes of the public offerings in Germany and Luxembourg and the listing of the shares on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (the "Prospectus").

This document constitutes a prospectus for the purposes of the public offerings in Germany and Luxembourg and the listing of the shares on the regulated market *(Regulierter Markt)* of the Frankfurt Stock Exchange (the "**Prospectus**"). This Prospectus has been prepared in the English language with a German-language summary in accordance with Commission Regulation (EC) No 809/2004 of 29 April 2004 and conforms to the requirements of the German Securities Prospectus Act *(Wertpapierprospektgesetz)*. This Prospectus has been approved by the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht* – "**BaFin**") after a review for completeness of the Prospectus, including a review for coherence and comprehensibility of the presented information, according to Section 13, paragraph 1 of the German Securities Prospectus Act, and notified to the Luxembourg Commission for the Supervision of the Financial Sector *(Commission de Surveillance du Secteur Financier* – "**CSSF**") in accordance with Section 18, paragraph 1 of the German Securities Prospectus Act and the European passport mechanism set out in the Prospectus Directive (No 2003/71/EC).

Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager

Macquarie Capital (Europe) Limited

Joint Lead Manager

Berenberg Bank

Selling Agents

comdirect bank AG   Cortal Consors   S Broker AG & Co. KG   DAB bank AG

Prospectus dated: 23 March 2011

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SUMMARY OF THE PROSPECTUS

The following summary is intended as an introduction to this Prospectus and should be read in conjunction with the more detailed information contained elsewhere in this Prospectus. Investors should base their decision on whether to invest in the shares on an examination of the entire Prospectus.

*Powerland AG, Frankfurt, Germany (the "**Company**" or "**Powerland AG**", and collectively with its direct and indirect subsidiaries "**Powerland**" or the "**Powerland Group**"), Macquarie Capital (Europe) Limited, Frankfurt am Main, Germany ("**Macquarie**" or the "**Sole Global Coordinator**") and Joh. Berenberg, Gossler & Co. KG, Hamburg ("**Berenberg**", Macquarie and Berenberg together the "**Joint Lead Managers**" or the "**Underwriters**") assume responsibility for the contents of this summary pursuant to Section 5, paragraph 2, sentence 3, no. 4 of the German Securities Prospectus Act (Wertpapierprospektgesetz). They can be held liable for the contents of the summary, however only in the event that the summary is misleading, incorrect or contradictory when read in conjunction with other parts of the Prospectus.*

If a claim is brought before a court by an investor on the basis of information contained in this Prospectus, the investor appearing as plaintiff may, pursuant to the national legislation of the Member States of the European Economic Area, be required to bear the cost of having the Prospectus translated prior to the commencement of legal proceedings.

General Information on the Company and its Business

Overview

Powerland is engaged in the design, production, promotion and sale of a wide range of bags, travel cases and accessories. It operates two business segments, the Luxury Segment and the Casual Segment. Powerland's operating subsidiaries are based in the Fujian Province and the Guangdong Province in China.

In the Luxury Segment, Powerland is active in the luxury goods market in China and sells fashionable women's handbags, travel cases, wallets and purses and, since 2010, men's handbags, briefcases and belts, all made from genuine leather, under its premium brand "Powerland". The products in this segment target the mid- to high-end segment of the Chinese luxury bags and luggage market. Powerland collaborates with an Italian-based design studio to design its products, sources its own raw materials and other product components and outsources the manufacturing process to several original equipment manufacturers ("**OEM**") in China. Products from the Luxury Segment are distributed exclusively in China through a network of Powerland-branded retail points of sales (the "**Powerland Stores**") which are operated by independent distributors. As at 31 December 2010, Powerland's retail distribution network consisted of 110 Powerland Stores in total, including one flagship store in Beijing, five exclusive stores, mainly operated in shopping malls, and 104 designated Powerland sales areas in department stores (shop in shops). Powerland's products in the Luxury Segment have retail prices usually ranging from RMB 2,000 (EUR 229) to RMB 7,000 (EUR 802) and target the Chinese upper-middle class consumers. Powerland launched its Luxury Segment in early 2008 and has recorded significant growth in this segment since then. The number of Powerland Stores increased from 14 as at 31 December 2008 to 71 as at 31 December 2009, and to 110 as at 31 December 2010. Revenues within the Luxury Segment increased from EUR 3,429 thousand in 2008 to EUR 26,336 thousand in 2009 and EUR 52,847 thousand in 2010. Powerland's growth strategy is primarily based on a significant expansion in this segment.

In the Casual Segment, Powerland designs, manufactures and sells casual bags made of textile or synthetic leather, which target the Chinese and overseas mid- to low-end segment of the non-luxury bags and luggage market. Products include handbags, sport bags, backpacks, travel bags, laptop bags, tool bags, cooling bags, and accessories (e.g. wallets and purses). These products are sold under Powerland's second brand "Sotto", as unbranded white label products for supermarkets and department stores or, in cases in which Powerland acts as OEM manufacturer for international brands, under third party brands. Products from the Casual Segment are distributed in China and to selected overseas markets through various distributors, including wholesalers and trading companies. Revenues within the Casual Segment increased from EUR 51,272 thousand in 2008 to EUR 55,840 thousand in 2009 and to EUR 59,788 thousand in 2010.

Powerland has experienced significant revenue growth in 2008, 2009 and 2010. Powerland's revenues increased from EUR 54,701 thousand in 2008 to EUR 82,176 thousand in 2009 and to EUR 112,635 thousand in 2010, corresponding to a compound annual growth rate ("**CAGR**") of 43.5% over this period. Powerland's net profits increased from EUR 10,813 thousand in 2008 to EUR 18,017 thousand in 2009 and to EUR 22,617 thousand in 2010, corresponding to a CAGR of 44.6% over this period. As at 31 December 2010, Powerland employed 1,075 employees.

Strengths

Powerland believes that the following competitive strengths are the main drivers of its future growth:

- **Active in a high-growth segment of the quickly growing Chinese retail and luxury goods market**: Powerland believes that sustained economic growth in the People's Republic of China („**PRC**") is one of the most important reasons for rising domestic demand for luxury bags, in particular, women's handbags, which are Powerland's main products in its Luxury Segment. Driven by macroeconomic factors like growth of the gross domestic product („**GDP**") and continued urbanisation, general retail sales in China increased by 14.9% in 2008, by 16.3% in 2009, and by 14.5% in 2010 *(Source: Global Insight)*. According to the "Proposal about National Economic and Social Development" in the Twelfth Five-Year Plan issued on 27 October 2010 by the PRC Communist Party's central standing committee, "expansion of domestic demand" is one of the PRC government's key objectives.

  The Chinese luxury market has, despite the worldwide economic crisis, kept growing particularly fast over the last few years, and increased by 31% in 2008, by 20% in 2009 and by an expected 23% in 2010 *(Source: Bain & Company/Altagamma, "Global Luxury Goods Worldwide Market Study 9th Edition", October 2010; Deutsche Bank, Consumer & Luxury Goods, "Luxury Goods – China & Japan Focus", September 2010)*, which exceeded general retail growth rates.

  Powerland believes it is positioned within a particularly fast growing segment of the quickly growing Chinese retail market. This belief is underscored by the strong and steady revenue growth in Powerland's Luxury Segment since Powerland commenced its activities in this segment in early 2008.

- **Leading PRC luxury goods producer with individual designs and high-quality products**: Powerland believes that its products in the Luxury Segment are comparable in design and quality with those of major international luxury brands and that it is one of the leading China-based handbag brands. Powerland places particular emphasis on the individual international-style designs and the high quality of its products. Powerland believes that its Luxury Segment products are distinguished from the products of its Chinese competitors by their own, unique designs and their high quality. Powerland engages Studio Francesco Turchi, an Italian-based design company founded and managed by a former Gucci director of production, Francesco Turchi, to design its Luxury Segment products. Moreover, Powerland carries out stringent quality assurance procedures which have enabled it to achieve consistent quality in its Luxury Segment products.

- **Growing recognition as a luxury brand in the PRC**: Since 2008, Powerland has dedicated significant resources to brand promotion and marketing campaigns in order to position the Powerland brand in the Chinese market for luxury handbags. Alongside various advertising campaigns on national and regional television and in fashion magazines in the PRC, Powerland has engaged Ms. Michelle Lee, also known as Michelle Reis, a well-known model and actress in the PRC, as brand ambassador for its luxury handbags since 2007. Powerland believes that its consistent marketing and branding activities have steadily increased an awareness of the Powerland brand with Chinese consumers as a luxury brand in the mid- to high end market. This differentiates Powerland from the majority of its Chinese competitors and provides it with a first-mover advantage in the market for luxury handbags which is still in the early stages of development in the PRC. Powerland believes that its Powerland brand is so far the only handbag brand in China that has been granted both the status as a so-called "Chinese Well-known Trademark" as well as a so-called "Chinese Famous Brand". These awards underline Powerland's brand recognition in China. In 2010, Powerland opened an outlet in the Diaoyutai State Guesthouse, the PRC's national government's official guesthouse, and is one of only ten brands in the PRC that have so far been allowed to open shops in the Diaoyutai State Guesthouse.

- **Sizeable retail distribution network in the PRC**: Since Powerland commenced its business in the PRC market for luxury handbags in early 2008, it has been able to establish a substantial retail distribution network for its Luxury Segment. As at 31 December 2010, Powerland had a retail sales network of Powerland Stores consisting of 110 stores in total, including one flagship store in Beijing, five exclusive stores, mainly operated in large shopping malls, and 104 designated Powerland sales areas in department stores (shop in shops), covering 26 provinces, municipalities and autonomous regions nationwide. As the Chinese market for luxury goods is still mainly supply driven, the quick expansion of its retail distribution network has been critical for Powerland's success in the Luxury Segment. Powerland believes that the modern and appealing designs of the Powerland Stores will further strengthen the perception of the Powerland brand with Chinese customers as a producer of high-quality luxury leather bags.

- **Experienced and dedicated management team**: Powerland's management and other key operating personnel possess extensive operating and industry experience. Mr. Shunyuan Guo, Powerland's CEO, has over 15 years of experience in the Chinese and international textile and leather products industry coupled with a significant business network domestically and internationally. He has received numerous business awards in the PRC, including the Asian Brands Top 10 Innovator Award in 2007, the Top 10 Innovation Award for Excellence in China in 2007, and the Man of the Year in the Luggage Leather Industry of China award in 2009. He is Executive Director of the China Leather Association and Vice President of the Associated Chinese Chambers of Commerce and Industry of South Africa. Mr. Yong Liang Guo, Powerland's Chief Production Officer, has been with Powerland for more than seven years and has served in various positions, most recently as general manager for production for textile and synthetic leather products. He has received a Master of Business Administration (MBA) degree from Zhongshan University in Guangzhou. Mr. Hock Soon Gan, Powerland's Chief Financial Officer, has over 15 years' experience of working in the financial services sector in the PRC, Malaysia and the USA. Most recently he was an audit partner and member of the management board of BDO Malaysia. Before that, he served as a senior audit manager at KPMG China and as the head of an audit division at KPMG Malaysia.

  The Chairman of Powerland's Supervisory Board, Dr. Peter Diesch, served as Chief Financial Officer and member of the management board for various major German companies. He was, for example, Chief Financial Officer of Linde AG from 2004 until 2006.

  Powerland believes that the experience of its management team and its dedication in implementing Powerland's business strategy have been instrumental in the growth and expansion of Powerland's operations.

Strategy

Powerland is pursuing the following strategic objectives:

- **Focus on the Luxury Segment**: Powerland intends to increase its focus on the Luxury Segment. While revenues derived from the Luxury Segment attributed approximately 47 % to Powerland's total revenues in 2010, Powerland intends to increase this percentage to approximately 70 % by 2013. To this end, Powerland intends to expand its product range in the Luxury Segment and increase its collaboration with the Italian design company Studio Turchi. While Powerland's main focus continues to be women's leather handbags, Powerland intends to increase its range of accessories, belts and wallets in order to diversify the product base in the Luxury Segment. Powerland is targeting an increase in the portion of revenues generated from the sale of other items than women's handbags in the Luxury Segment from 20 % in 2010 to approximately 30–35 % in 2013. In the longer term Powerland intends to add new products (such as leather jackets, leather shoes, perfumes, watches etc.) to the Luxury Segment. While the competition in the non-luxury segment of the Chinese bags and luggage market by competitors in the PRC is intense, Powerland believes that its PRC competitors in the luxury segment of the Chinese bags and luggage market do not yet place great enough emphasis on building and fostering a brand, which creates an attractive opportunity for Powerland. In addition, Powerland believes that its Luxury Segment will continue to benefit from the strong growth of the PRC market for luxury goods. Therefore, Powerland believes that the Luxury Segment will continue to offer significant growth potential, both in terms of revenues and in terms of profitability. Powerland's Casual Segment plays an important role and Powerland intends to continue its activities in this segment, which provides steady revenues and cash flows, that can be utilised for the expansion of the Luxury Segment.

- **Expand the retail distribution network and strengthen the market presence in the PRC**: Powerland believes that the Chinese market for luxury handbags is to a large extent supply driven, meaning that opening more stores creates further consumer demand. Powerland intends to increase its market presence in the PRC by expanding its retail distribution network with a focus on Tier 1 and Tier 2 cities in the PRC. To this end, Powerland intends to open approximately 70 self-operated stores with a size of between 100 sqm to 160 sqm at prime locations, such as main shopping districts, shopping malls and airports within the next three years. The focus for new shop openings will be in regions where Powerland's distributors already operate Powerland Stores. The new self-operated stores will include approximately 50 self-operated flagship stores and other exclusive stores at top locations, and approximately 20 airport stores. The stores will play a key role in strengthening the Powerland brand. Powerland intends to gain greater control over marketing activities, brand communication, and pricing, to improve margins, and to operate these stores itself in order to obtain direct and timely insights into consumer trends and preferences. Powerland intends to purchase the business premises for approximately half of the newly opened self-operated stores, in particular of the flagship stores, and to rent premises for the remaining new self-operated stores. Powerland believes that ownership of stores at strategic locations is important in order to gain and maintain long-term access to such locations as these locations are under high demand given the expected strong growth of the Chinese consumer market.

  In addition to this, Powerland intends to increase the total number of retail outlets operated under the Powerland brand by independent distributors from 110 as at 31 December 2010 to approximately 160 by the end of 2011, 195 by the end of 2012, and 230 by the end of 2013. In particular, Powerland intends to open retail points of sales in well-known shopping malls in its major strategic markets in Tier 1 and Tier 2 cities of the PRC. The additional stores will partly be operated by independent distributors from Powerland's existing distributor base, but also by additional adequately qualified distributors, which Powerland intends to identify and contract for this purpose.

  Should such opportunities arise, Powerland may also consider acquiring some of its independent distributors in order to maximize profitability through higher margins, and to increase control over its retail outlets with respect to brand communication, direct marketing activities, retail pricing, and customer feedback.

- **Further invest in marketing and enhance brand image and recognition**: Powerland aims to become a leading brand in the PRC for luxury leather bags and accessories. With rising living standards in the PRC, Powerland expects the PRC market for luxury bags to continue growing. Powerland believes that brand image and recognition are key factors in enhancing its presence in this market. Powerland believes that the PRC industry for luxury bags is, except for international luxury brands, in an early stage of development and lacks large domestic players. With the positioning of its brand in recent years, Powerland believes it has captured a first-mover advantage over PRC competitors. In order to capitalise on and strengthen this position, Powerland intends to invest in the marketing and promotion of the "Powerland" brand by developing and launching marketing campaigns, including advertising in various media, focusing on fashion magazines and prime time TV spots. Powerland believes that by implementing such branding and marketing initiatives, coupled with its continued emphasis on product quality and international-style design and an enlarged and more visible retail distribution network, it can further enhance its brand reputation, become a trendsetter and achieve greater customer recognition and loyalty towards its brand and products, as well as higher average selling prices over time.

- **Establish production capability and gain closer control of production processes in the Luxury Segment**: A key element of Powerland's growth strategy is to expand its production capability for its Luxury Segment products and build up internal competence and expertise. To this end, Powerland intends to invest in production equipment and other supporting facilities for leather made luxury handbags in order to establish production lines in Guangzhou for the production of leather-made handbags. Even though Powerland only intends to produce a very limited portion of its Luxury Segment products in-house, having its own production capabilities for the Luxury Segment products will allow Powerland to shorten delivery times for certain urgent product orders from its distributors for top-selling products.

- **Continue to emphasise design and product development capacity and further strengthen Powerland's design expertise and technical know-how**: Powerland intends to further strengthen its design and product development capacity and capability in order to develop new products and improve the quality of Powerland's products, which Powerland believes is essential in order to adapt to changing consumer preferences. To this end, Powerland intends to significantly invest in additional design and research and development equipment, and to hire additional design and product development staff. Powerland has recently extended its design contract with its Italian-based design partner Studio Turchi by another five years and Mr. Turchi will spend a substantial amount of time in China each season and work closely with Powerland's in-house design staff.

Further Material Information Concerning the Company

The Company is a German stock corporation incorporated under the laws of Germany with its legal seat in Frankfurt. The Company is registered with the commercial register of the local court *(Amtsgericht)* of Frankfurt under the registration number HRB 90460. The business purpose of the Company is the production, sale, distribution and marketing of bags and other textile and leather products, by the Company itself or indirectly by its subsidiaries and/or affiliated companies as well as all businesses and services in connection therewith and services for its subsidiaries and affiliated companies. The Company holds 100% of the shares in Powerland International Holdings Limited ("**Powerland Hong Kong**"), a company incorporated under Hong Kong law which acts as intermediate holding company and holds 100% of the equity interests in Fujian Powerland Leather Case & Products Co., Ltd. ("**Powerland Fujian**") and Guangzhou Powerland Leather Case & Products Co., Ltd. ("**Powerland Guangzhou**"), both companies incorporated in the PRC. The operative business of Powerland is being carried out by Powerland Fujian and Powerland Guangzhou.

Management Board Mr. Shunyuan Guo, Mr. Hock Soon Gan, Mr. Yong Liang Guo, Mr. Qingsheng Cai

Senior Management Mr. Jiangbin He, Ms. Juanxiu Wang, Mr. Yung Chih Chen

Supervisory Board Dr. Peter Diesch, Mr. Volker Potthoff, Mr. Hsueh Yi Huang

Share Capital (Prior to the Implementation of the Offering) Euro ("**EUR**") 10,000,000 divided into 10,000,000 no par value ordinary bearer shares *(Inhaber-Stückaktien)* each having a notional amount of the share capital of EUR 1.00.

Auditors BDO AG Wirtschaftsprüfungsgesellschaft, Ferdinandstraße 59, 20095 Hamburg, Germany ("**BDO**")

Existing Shareholders (Prior to the Implementation of the Offering) The table below shows Powerland AG's shareholders (the "**Existing Shareholders**") on the basis of the assumption that the already agreed upon transfer of shares to be effected on 8 April 2011 from the current sole shareholder, Mr. Shunyuan Guo, to the other shareholders set out in the table had already occurred. The number of shares to be transferred was determined based on the assumption that all 5,000,000 New Shares will be placed with investors.

Existing Shareholder	**number of shares**	**percentage of shares**
		(in %)
Guo GmbH & Co. KG[(1)]	9,175,000	91.75
Solar Trend Limited[(2)]	450,000	4.50
Fengyuan Capital Group Limited[(3)]	300,000	3.00
Global Hedge Services Limited[(4)]	75,000	0.75
Total	10,000,000	100.00

(1) Guo GmbH & Co. KG: A company incorporated in Germany, currently registered in the commercial register of the local court of Duesseldorf under HRA 21273 under the name Kronen tausend557 GmbH & Co. Vorrats KG, whose indirect sole shareholder is the Company's CEO, Mr. Shunyuan Guo.

(2) Solar Trend Limited: A company incorporated in Hong Kong, whose sole shareholder is the sister of the Company's CEO, Mr. Shunyuan Guo, Ms. Biyan Guo. Solar Trend Limited purchased the shares in Powerland AG from Guo GmbH & Co. KG under a share purchase agreement dated 22 March 2011 providing for a share transfer to be effected upon admission to trading. The purchase price per share was agreed to be equivalent to the offer price.

(3) Fengyuan Capital Group Limited: A company incorporated in Hong Kong, whose shareholders are Mr. Kefeng Chen (60%) and Mr. Yangjia Li (40%). Fengyuan Capital Group Limited purchased the shares in Powerland AG from Guo GmbH & Co. KG under a share purchase agreement dated 22 March 2011 providing for a share transfer to be effected upon admission to trading. The purchase price per share was agreed to be equivalent to the offer price.

(4) Global Hedge Services Limited: A company incorporated in Hong Kong, whose sole shareholder is the Company's CFO, Mr. Hock Soon Gan. Global Hedge Services Limited purchased the shares in Powerland AG from Guo GmbH & Co. KG under a share purchase agreement dated 22 March 2011 providing for a share transfer to be effected upon admission to trading. The purchase price per share was agreed to be equivalent to the offer price.

Registered Office and Financial Year	The registered office *(Satzungssitz)* of the Company is in Frankfurt and the business address is Powerland AG, Westhafentower, Westhafenplatz 1, 60327 Frankfurt am Main, Germany. The financial year is the calendar year. The first financial year is a short financial year *(Rumpfgeschäftsjahr)*.
Employees	As at 31 December 2010, Powerland had 1,075 employees. As of the date of this Prospectus, there has been no material change in the number of employees.

Summary of the Offering

Offering

The Offering consists of a public offering in Germany and Luxembourg and private placements to institutional investors outside Germany, Luxembourg and the United States.

The Offering consists of 6,325,000 no par value ordinary bearer shares *(Inhaberstückaktien)* of Powerland AG, each having a notional amount of the share capital of EUR 1.00 and each vested with full dividend rights for the short financial year 2011 (the "**Offer Shares**").

Of this amount, (i) 5,000,000 no par value ordinary bearer shares originate from a capital increase against cash contributions resolved by an extraordinary general meeting of shareholders held on 22 March 2011 (the "**New Shares**"), (ii) 500,000 shares (the "**Existing Offer Shares**") originate from the holdings of Guo GmbH & Co. KG (the "**Selling Shareholder**"), and (iii) 825,000 no par value ordinary bearer shares originate from the holdings of the Selling Shareholder in connection with a potential over-allotment (the "**Greenshoe Shares**").

The number of New Shares to be placed with investors is expected to be determined on 8 April 2011 and will be such number of shares as is necessary to provide the Company with gross proceeds of between EUR 80 million and EUR 90 million.

Selling Shareholder

Guo GmbH & Co. KG

Offer Period

The offer period is expected to begin on 31 March 2011 and to end on 7 April 2011. The beginning and the end of the period during which investors will have the possibility to submit offers to purchase shares (offer period) will be published together with the price range and other matters in a supplement *(Nachtrag)* to the Prospectus. The Company and the Underwriters expressly reserve the right to close the order book prior to 7 April 2011 and announce an earlier end of the offer period.

Purchase orders are freely revocable until the end of the offer period.

On the last day of the offer period, retail investors may submit offers to purchase shares until 12:00 noon (Central European Summer Time) and institutional investors until 6:00 p. m. (Central European Summer Time).

Price Range and Offer Price

The price range within which purchase orders may be placed will be published together with the specific dates for the beginning and end of the offer period prior to the start of the offer period as an ad-hoc notice via an electronic information system and, upon approval by the German Federal Financial Supervisory Authority ("**BaFin**") in the form of a supplement *(Nachtrag)* to the Prospectus on the website of the Company (www.powerland.ag). In addition, the supplement will be available free of charge during regular business hours in printed form from the Company and the Sole Global Coordinator.

The offer price per Offer Share will be collectively determined by the Company and the Sole Global Coordinator using the order book prepared during the bookbuilding process. Afterwards, the offer price will be published in the form of an ad-hoc notice via an electronic information system and on the Company's website (www.powerland.ag) and, no earlier than on the following business day (including Saturdays), in an announcement in the *Frankfurter Allgemeine Zeitung.* Particularly in the event that the placement volume proves insufficient to satisfy all of the purchase orders submitted at the offer price, the

	Sole Global Coordinator reserves the right not to accept purchase orders, in whole or in part.
Amendments to the Terms of the Offer	Together with the Sole Global Coordinator, the Company reserves the right to decrease the number of Offer Shares, to increase or decrease the upper and/or lower limits of the price range, and/or to extend or shorten the offer period. If any of the terms of the offer are modified, the change will be published by means of an announcement through an electronic information service such as Reuters or Bloomberg and on the Company's website (www.powerland.ag), and/or, to the extent required by the German Securities Trading Act *(Wertpapierhandelsgesetz)* or German Securities Prospectus Act *(Wertpapierprospektgesetz)*, as an ad-hoc notice and/or as a supplement *(Nachtrag)* to the Prospectus. Investors who have submitted purchase orders will not be notified individually.
Delivery and Settlement of Offer Shares	It is expected that the Offer Shares will be delivered one banking day after commencement of trading of the shares against payment of the offer price.
Over-Allotment/ Stabilisation	In connection with the placement of the Offer Shares, over-allotments may be made and stabilisation measures aimed at supporting the stock exchange or market price of the Company's shares may be undertaken to the extent permitted by applicable law. Stabilisation measures may be effected as of the date of the commencement of trading of the Company's shares and must be completed no later than the 30th calendar day after such date.
Greenshoe Option	The Selling Shareholder has granted the Sole Global Coordinator 825,000 no par value ordinary bearer shares by means of a securities loan for a potential over-allotment (the "**Greenshoe Shares**"). To repay the securities loan, the Selling Shareholder has granted the Sole Global Coordinator an option to purchase all or some of the Greenshoe Shares at the offer price less any agreed commissions (the "**Greenshoe Option**"). The option expires 30 calendar days after commencement of trading of the shares.
General Allotment Criteria	The Company, the Selling Shareholder and the Underwriters intend to comply with the "Principles for the Allotment of Share Issues to Private Investors" ("*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*"), which were issued on 7 June 2000 by the Exchange Expert Commission *(Börsensachverständigenkommission)* of the German Federal Ministry of Finance *(Bundesministerium der Finanzen)*.
Underwriters	Macquarie Capital (Europe) Limited; Joh. Berenberg, Gossler & Co. KG
Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager	Macquarie Capital (Europe) Limited
Joint Lead Manager	Joh. Berenberg, Gossler & Co. KG
Selling Agents	comdirect bank AG; Cortal Consors S.A.; Zweigniederlassung Deutschland; S Broker AG & Co. KG; DAB bank AG
Admission to Trading and Listing	An application for admission of all of the shares of the Company – including the New Shares – to trading on the regulated market *(Regulierter Markt)* (Prime Standard) of the Frankfurt Stock Exchange is expected to be filed on 24 March 2011 and admission is expected to be granted one business day after the expi-

ration of the offer period at the earliest. Commencement of trading is expected to take place on the first trading day following the day of admission.

Early Termination of the Offering

The underwriting agreement provides that the Sole Global Coordinator on behalf of the Underwriters may terminate the underwriting agreement under certain circumstances, even after the shares have been allocated and listed, up to delivery and settlement of the shares.

If the underwriting agreement is terminated, the Offering will not take place. In such case, allocations of Offer Shares to investors will be invalidated, and investors will have no claim for delivery. Claims relating to any subscription fees paid and costs incurred by any investor in connection with the subscription are governed solely by the legal relationship between the investor and the institution to which the investor submitted its purchase order.

Market Protection Agreement (Lock-up)

The Company has agreed with the Underwriters that, for the first six months after the shares have been listed on the Frankfurt Stock Exchange, it will not

- announce or implement any capital increase from authorised capital *(genehmigtes Kapital)*,
- propose a resolution for any capital increase at the General Shareholders' Meeting *(Hauptversammlung)*,
- (a) directly or indirectly issue, purchase, sell, offer, undertake to sell, promote, otherwise issue or announce an offer in relation to shares or other securities of the Company which are convertible or exchangeable into shares of the Company or grant an option to purchase shares of the Company, (b) enter into or execute transactions (including derivatives transactions) that are economically equivalent to the purchase or sale of the shares of the Company, or (c) directly or indirectly cause or approve transactions within the meaning of the foregoing provisions (a) and/or (b).

Furthermore, the Company has agreed for a further period of six months not to undertake any of the aforementioned transactions without the prior written consent of the Sole Global Coordinator.

The Existing Shareholders have agreed with the Underwriters that, for the first twelve months after the listing of the shares of the Company on the Frankfurt Stock Exchange they will not:

- offer, pledge, allot, sell, contract or agree to sell or to contribute or to otherwise transfer, enter into share pooling arrangements relating to the shares or otherwise act in concert with another shareholder of the Company, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the Company or any securities convertible into or exercisable or exchangeable for shares of the Company;
- enter into any swap or other arrangement that transfers to another party, in whole or in part, the economic risk of ownership of shares of the Company, whether any such transaction described in the clauses above is to be settled by delivery of shares of the Company or such other securities, in cash or otherwise;
- make any demand for or exercise any right with respect to the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company; or

- propose any increase in the share capital of the Company, vote in favour of such a proposed increase or otherwise, support any capital increase proposed with respect to the Company without the written consent of the Sole Global Coordinator.

Furthermore, the Selling Shareholder has agreed for a further period of six months not to undertake any of the aforementioned transactions without the prior written consent of the Sole Global Coordinator.

These restrictions do not apply to the sale of the Offer Shares, to stock options issued by the Company in connection with its employee stock options programme and to shares purchased in the open market.

Costs of the Offering for the Company

As the costs of the Offering depend on the total number of shares placed and the offer price that determine the amount of the commissions, the Company cannot reliably predict the Offering costs at this time. The Company estimates that the total costs of the Offering (including commissions for the Underwriters) will amount to between EUR 8.4 million and EUR 9.4 million with between EUR 7.4 million and EUR 7.9 million thereof to be incurred by the Company and the remaining costs to be incurred by the Selling Shareholder.

Use of Proceeds

The Company aims to obtain gross proceeds from the sale of the New Shares of between EUR 80 million and EUR 90 million and intends to determine the number of New Shares to be placed accordingly. The Company plans to use the net proceeds that it will receive from the sale of the New Shares to finance the further expansion of Powerland's business. In particular, Powerland plans:

- to use approximately 70% of the net proceeds from the sale of the New Shares for the expansion of the sales network including the distribution of its products from the Luxury Segment by opening and operating approximately 70 self-operated stores by the end of 2013. This includes approximately 50 self-operated flagship stores and other stores at top locations, and approximately 20 stores at airports. These stores will be operated by Powerland directly. Powerland intends to purchase the business premises of approximately half of these newly opened stores and to rent premises for the remaining new self-operated stores;

- to use approximately 12% of the net proceeds from the sale of the New Shares to increase Powerland's brand awareness through marketing activities, to establish limited in-house production capacity for products from the Luxury Segment and to further strengthen its in-house design team;

- to use approximately 18% of the net proceeds from the sale of the New Shares for general corporate purposes (working capital, the repayment of short-term loans and the introduction of a reporting and sales and distribution information system).

German Securities Identification Number (WKN)

PLD555

International Securities Identification Number (ISIN)

DE000PLD5558

Ticker Symbol

1PL

Selected Financial Information

The Company was founded by way of notarised deed of formation (Gründungsurkunde) on 21 February 2011 and incorporated by registration in the commercial register of the local court of Frankfurt on 14 March 2011.

*The operational business of Powerland is exclusively carried out by Powerland Fujian Suitcase and Leather Goods, Co. Ltd. (**"Powerland Fujian"**) and Guangzhou Powerland Suitcase and Leather Goods, Co. Ltd. (**"Powerland Guangzhou"**), both indirectly wholly owned subsidiaries of the Company. All shares in Powerland Fujian and Powerland Guangzhou are owned by Powerland International Holdings Limited (**"Powerland Hong Kong"**), a company under Hong Kong law, whose sole shareholder is Powerland AG.*

*In order to present the business, financial condition and result of operations, in relation to the business of Powerland, Powerland has prepared consolidated financial statements of Powerland Hong Kong as at and for the years ended 31 December 2008, 31 December 2009, and 31 December 2010 under IFRS (the **"Consolidated Financial Statements"**).*

The Consolidated Financial Statements have been prepared on a voluntary basis for the purpose of this Offering. The purpose of these financial statements is to put the investor in the position to better compare the development of the business, financial condition and the results of operations of Powerland over the periods under review.

*The Consolidated Financial Statements were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Ferdinandstraße 59, 20095 Hamburg, Germany (**"BDO"**).*

Powerland's selected financial information as at and for the years ended 31 December 2008, 31 December 2009, and 31 December 2010, which is reflected in this section, was derived from the Consolidated Financial Statements.

The following figures were subject to rounding adjustments that were carried out according to established commercial standards. As a result, the figures stated in the table may not exactly add up to the total values that may also be stated in the table.

	31 December					
	2008		**2009**		**2010**	
			(audited)[1]			
	EUR thousand	**%**	**EUR thousand**	**%**	**EUR thousand**	**%**
Revenue	**54,701**	**100**	**82,176**	**100**	**112,635**	**100**
Cost of sales	(30,818)	56	(46,763)	57	(67,865)	60
Gross Profit	**23,883**	**44**	**35,413**	**43**	**44,770**	**40**
Other income	123	1	129	0	85	0
Selling and distribution costs	(6,550)	12	(9,294)	11	(11,234)	10
Administrative and other expenses	(4,114)	8	(5,046)	6	(6,603)	6
Net finance costs	(897)	2	(463)	1	(920)	1
Profit before tax	**12,445**	**23**	**20,739**	**25**	**26,098**	**23**
Tax expenses	(1,632)	3	(2,722)	3	(3,481)	3
Net profit for the financial year	**10,813**	**20**	**18,017**	**22**	**22,617**	**20**
Selected Balance Sheet Data						
Total assets	32,080		31,526		72,501	
Total liabilities	16,077		14,011		45,296	
Total equity	16,003		17,515		27,205	
Selected Cash Flow Data						
Net Cash flows from operating activities	6,898		19,436		26,103	
Cash flow from investing activities	(1,152)		(30)		(16,723)	
Cash flow from financing activities	(2,966)		(16,647)		(2,887)	
Cash at end of period	**5,122**		**7,718**		**15,319**	

	31 December		
Other Selected Financial Data	**2008**	**2009**	**2010**
	EUR thousand	**EUR thousand**	**EUR thousand**
Gross profit margin	44%	43%	40%
EBITDA[2]	13,683	21,586	27,426
EBITDA margin[3]	25%	26%	24%
EBIT[4]	13,342	21,202	27,018
EBIT margin[5]	24%	26%	24%
Net profit margin[6]	20%	22%	20%
Dividends paid[7]	3,929	16,824	16,695
Financial debt[8]	7,586	7,435	21,866
Net debt[9]	2,464	(283)	6,547
Number of employees[10]	955	917	1,075

(1) Audited information with the exception of "Other Selected Financial Data" which is Company information
(2) EBITDA is calculated as net income less interest income plus interest expense plus tax payable less tax refund plus/less investment income plus depreciation and amortisation
(3) EBITDA divided by revenues times 100
(4) EBIT is calculated as net income less interest income plus interest expense plus tax payable less tax refund plus/less investment income
(5) EBIT divided by revenues times 100
(6) Profit for the period divided by revenues times 100
(7) These figures were disclosed under Note 27 to the consolidated financial statements of Powerland Hong Kong for the financial years ended 31 December 2008, 2009 and 2010
(8) Financial debt is calculated as total loans and borrowings from financial institutions
(9) Net debt is calculated as total loans and borrowings less cash and cash equivalents. These figures were disclosed under Note 31.4 to the consolidated financial statements of Powerland Hong Kong for the financial years ended 31 December 2008, 2009 and 2010
(10) As at the Balance Sheet Date

Summary of Risk Factors

Prior to making a decision on the purchase of shares in the Company, investors should carefully consider certain risks. If any of the events associated with these risks occur, individually or in connection with other circumstances, the business of Powerland may be affected to a substantial degree, with a material adverse effect on the net assets, financial condition and results of operations of Powerland. The stock exchange price of the shares could decline as a result of an event associated with the occurrence of any of these risks, and investors could lose some or all of the capital they have invested. The following are risk factors:

Risks Related to Powerland's Business

- Powerland's strategy of establishing the Powerland brand as a brand for luxury leather bags in the People's Republic of China ("**PRC**") might fail.
- Powerland's business and the successful implementation of its growth strategy depends on its existing PRC retail sales network of independent distributors and its successful future expansion.
- Powerland's success depends on its collaboration with one independent design company in Italy.
- Powerland depends on the demand for consumer goods and, in particular, for luxury goods in China.
- Powerland operates in a highly competitive environment. Increased competition or the entry of new competitors may result in a decrease in revenues.
- Powerland depends on the development and market acceptance of new products and may not be able to effectively predict or react quickly to changing consumer preferences.
- Powerland may not be in a position to pass potential increases in the costs for the supply of raw materials, in particular leather, textile and synthetic leather, on to its customers.
- Powerland depends on third party contract manufacturers in its Luxury Segment.
- Disruptions or delays in the supply of raw materials or finished goods by its suppliers to Powerland or in the delivery of its products by Powerland to its distributors and customers, could significantly increase Powerland's operating costs.
- Powerland's operations and the implementation of its growth strategy are capital intensive and Powerland could fail to maintain sufficient working capital or be unable to secure additional financing.
- Powerland is exposed to fluctuations in foreign exchange rates.
- Powerland might not be able to adequately protect its know-how and its intellectual property rights could be infringed.
- Powerland might infringe upon third-party protected designs and other intellectual property rights.
- The success of Powerland's business depends on attracting and retaining key personnel.
- Powerland may face rising labour costs and shortages of skilled workers.
- Powerland's operational and financial planning and management reporting systems may be inadequate and its management resources may be insufficient to successfully manage and support its future growth and to ensure accurate financial management.
- The Management Board of the Company is not experienced in complying with German legal requirements for listed companies and Powerland currently does not have a comprehensive risk management system in place.
- The Company's Supervisory Board may have difficulties in adequately supervising the Management Board, in particular as the non-German members of the Supervisory Board have only limited experience in fulfilling their obligations arising from the German Stock Corporation Act.
- The Company's CEO, Mr. Shunyuan Guo, will still hold a significant portion of the share capital of the Company after the Offering, which will enable him to exercise significant control over the Company and could subject him to conflicts of interest.

- The Company is a holding company whose liquidity depends upon having access to the liquid funds of its operating subsidiaries located in China.
- Powerland does not have the insurance coverage that is customary in more economically developed countries for a business of Powerland's size.
- Powerland currently enjoys tax benefits in China which will be phased out over the coming years and lead to an increase in Powerland's income tax rate. Tax laws and regulations could change to the detriment of Powerland or its shareholders.
- The Company and Powerland Hong Kong may be treated as tax resident enterprises for PRC tax purposes under the PRC enterprise income tax laws and therefore be subject to PRC taxation.

Risks Related to the Political, Social and Legal Environment of the People's Republic of China

- General risks relating to business operations in China which are generally subject to greater economical, political, and legal risks than operations in more developed economies.
- The Chinese "Provisions on the Acquisition of Domestic Enterprises by Foreign Investors" (the "**M&A Provisions**") may have a material adverse effect on Powerland.
- State Administration of Foreign Exchange (SAFE) regulations relating to offshore investments by PRC residents or passport holders may adversely affect Powerland's business operations and financing alternatives.
- Powerland is subject to foreign exchange regulation in the PRC which limits its ability to fund its operations with foreign capital.
- PRC regulations pertaining to loans and direct capital investments by offshore parent companies to PRC entities may delay or prevent Powerland from using the proceeds from this Offering.
- Economic instability in China could adversely affect Powerland's business.
- A destabilisation of the political system could threaten China's economic liberalisation.
- Health epidemics and outbreaks of contagious diseases, including avian influenza, severe acute respiratory syndrome (SARS) or swine flu, could materially and adversely affect the Chinese economy.
- The PRC legal system and national taxation laws contain inherent uncertainties and inconsistencies.
- The judiciary's lack of independence and limited experience and the difficulty of enforcing court decisions and governmental discretion in enforcing court orders could prevent Powerland from obtaining effective remedies in a court proceeding.
- There are difficulties in seeking recognition and enforcement of foreign judgments in China.
- Restrictions might be imposed on foreign investments in PRC companies.
- Changes in labour law and policy in the PRC could affect the results of operations.
- The accuracy of industry and statistical data included in the Prospectus may not be reliable.

Risks Related to the Offering

- Public trading in the Company's shares might not develop.
- A volatile stock exchange price for the shares might develop.
- The sale of shares by the Existing Shareholders could affect the share price.
- There are risks for short sales before the delivery of the shares.
- The Offering may not be implemented in full which may negatively affect the growth prospects of Powerland and/or the liquidity of the shares in the market.

ZUSAMMENFASSUNG DES PROSPEKTS

Die folgende Zusammenfassung ist als Einführung zu diesem Prospekt zu verstehen und sollte in Verbindung mit den ausführlicheren Informationen gelesen werden, die sich an anderer Stelle in diesem Prospekt finden. Anleger sollten jede Entscheidung zur Anlage in Aktien auf die Prüfung des gesamten Prospekts stützen.

Die Powerland AG Frankfurt, Deutschland (die **„Gesellschaft"** *oder* ***„Powerland AG"*** *und gemeinsam mit ihren unmittelbaren und mittelbaren Tochtergesellschaften* ***„Powerland"*** *oder* ***„Powerland Gruppe"****), Macquarie Capital (Europe) Limited Frankfurt am Main, Deutschland (****„Macquarie"*** *oder* ***„Globaler Koordinator"****) und Joh. Berenberg, Gossler & Co. KG, Hamburg (****„Berenberg"****, Macquarie und Berenberg zusammen die* ***„Gemeinsamen Lead Manager"****, oder die* ***„Konsortialbanken"****) übernehmen im Sinne von § 5 Abs. 2 Satz 3 Nr. 4 Wertpapierprospektgesetz die Verantwortung für den Inhalt dieser Zusammenfassung. Sie können für den Inhalt der Zusammenfassung haftbar gemacht werden, jedoch nur, falls die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit anderen Teilen dieses Prospekts gelesen wird. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung einzelstaatlicher Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraumes die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben.*

Allgemeine Informationen über die Gesellschaft und ihre Geschäftstätigkeit

Übersicht

Powerland ist im Design, der Produktion, der Vermarktung und dem Verkauf von Taschen, Koffern und Accessoires tätig. Powerland unterhält zwei Geschäftsbereiche, das Luxussegment und das Freizeitsegment. Die operativen Tochtergesellschaften von Powerland befinden sich in der Fujian Provinz und in der Guangdong Provinz in China.

Im Luxussegment ist Powerland auf dem chinesischen Markt für Luxusgüter aktiv und verkauft modische Damenhandtaschen, Koffer, Herren- und Damenportemonnaies und seit 2010 Herrenhandtaschen, Aktentaschen und Gürtel aus echtem Leder, unter der Premiummarke „Powerland". Die Produkte in diesem Geschäftsbereich zielen auf das mittlere bis obere Marktsegment des chinesischen Marktes für Luxustaschen und -koffer ab. Powerland arbeitet in Bezug auf das Design seiner Produkte mit einem Designstudio in Italien zusammen, bezieht eigene Rohmaterialien und andere Produktteile und hat den Produktionsprozess an verschiedene Auftragsfertiger (original equipment manufacturer, „**OEM**") in China ausgegliedert. Produkte des Luxussegments werden, durch ein Netzwerk von Powerland Markengeschäften (die „**Powerland Stores**"), die von unabhängigen Vertriebspartnern betrieben werden, ausschließlich in China vertrieben. Zum 31. Dezember 2010 bestand Powerlands Vertriebsnetzwerk aus 110 Powerland Stores, darunter waren ein Flagship-Store in Peking, fünf Exklusive-Stores, die sich hauptsächlich in Einkaufszentren befinden, und 104 Verkaufsflächen in Warenhäusern (sog. Shop in Shops) umfassten. Die Produkte von Powerland im Luxussegment werden zu Ladenpreisen zwischen RMB 2.000 (EUR 229) und RMB 7.000 (EUR 802) verkauft und zielen auf die Kunden der oberen chinesischen Mittelschicht ab. Powerland führte Anfang 2008 das Luxussegment ein und verzeichnete seitdem ein erhebliches Wachstum in diesem Segment. Die Anzahl der Powerland Stores stieg von 14 zum 31. Dezember 2008 auf 71 zum 31. Dezember 2009 und 110 zum 31. Dezember 2010. Der Umsatz des Luxussegments stieg von EUR 3.429 Tausend in 2008 auf EUR 26.336 Tausend in 2009 und EUR 52.847 Tausend in 2010. Die Wachstumsstrategie von Powerland basiert vor allem auf einer deutlichen Ausweitung dieses Segments.

Im Freizeitsegment entwirft, produziert und verkauft Powerland Freizeittaschen aus Stoff oder Kunstleder, die auf das mittlere bis untere Preissegment des Marktes für Freizeittaschen und -koffer in China und weltweit abzielen. Unter den Produkten finden sich Handtaschen, Sporttaschen, Rucksäcke, Koffer, Reisetaschen, Laptoptaschen, Werkzeugkoffer, Kühltaschen und Accessoires (z. B. Herren- und Damenportemonnaies). Diese Produkte werden unter Powerlands zweiter Marke „Sotto", als sog. „white label products" für Supermärkte und Warenhäuser oder, falls Powerland als Auftragsfertiger für internationale Marken auftritt, durch Marken Dritter vertrieben. Produkte des Freizeitsegments werden in China und ausgewählten ausländischen Märkten durch verschiedene Vertriebspartner, darunter Großhändler und Handelsgesellschaften, vertrieben. Die Umsätze im Freizeitsegment stiegen von EUR 51.272 Tausend in 2008 auf EUR 55.840 Tausend in 2009 und EUR 59.788 Tausend in 2010.

Powerland konnte in den Jahren 2008, 2009 und 2010 ein erhebliches Umsatzwachstum verzeichnen. Der Gesamtumsatz stieg von EUR 54.701 Tausend in 2008 auf EUR 82.176 Tausend in 2009 und auf EUR 112.635 Tausend in 2010, was einer durchschnittlichen jährlichen Wachstumsrate („**CAGR**") von 43,5 % während dieses Zeitraums entspricht. Der Nettogewinn von Powerland stieg von EUR 10.813 Tausend in 2008 auf EUR 18.017 Tausend in 2009 und auf EUR 22.617 Tausend in 2010, was einer durchschnittlichen jährlichen Wachstumsrate von 44,6 % während dieses Zeitraums entspricht. Zum 31. Dezember 2010 beschäftigte Powerland 1.075 Mitarbeiter.

Stärken

Powerland sieht die nachfolgend dargestellten Wettbewerbsstärken als wesentliche Faktoren für ihr künftiges Wachstum:

- **Aktiv in einem besonders wachstumsstarken Bereich des schnell wachsenden chinesischen Einzelhandels- und Luxusgütermarktes**: Powerland glaubt, dass ein anhaltendes Wirtschaftswachstum in China einer der wichtigsten Gründe für eine steigende nationale Nachfrage nach Luxustaschen, insbesondere nach Damenhandtaschen, ist, die Powerlands Hauptprodukt im Luxussegment darstellen.

  Durch makroökonomische Faktoren wie Wachstum des Bruttoinlandsprodukts und anhaltende Urbanisierung stiegen die Einzelhandelsumsätze um 14,9 % in 2008, um 16,3 % in 2009 und um 14,5 % in 2010 *(Quelle: Global Insight)*. Laut des „Plans für die nationale wirtschaftliche und soziale Entwicklung" im zwölften Fünf-Jahres-Plan, der am 27. Oktober 2010 vom Zentralkomitee der Kommunistischen Partei Chinas veröffentlicht wurde, ist die „Ausweitung der nationalen Nachfrage" eines der Hauptziele der chinesischen Regierung.

  Trotz der weltweiten Wirtschaftskrise wuchs der chinesische Markt für Luxusgüter, insbesondere während der letzten fünf Jahre weiter und vergrößerte sich um 31 % in 2008, um 20 % in 2009 und um erwartete 23 % in 2010 *(Quelle: Bain & Company/Altagamma, „Global Luxury Goods Worldwide Market Study 9th Edition", Oktober 2010; Deutsche Bank, Consumer & Luxury Goods, „Luxury Goods – China & Japan Focus", September 2010)*, was das allgemeine Wachstum des Einzelhandels überstieg.

  Powerland glaubt, in einem besonders schnell wachsenden Bereich des sich rasant entwickelnden chinesischen Einzelhandelsmarktes positioniert zu sein. Dies wird durch Powerlands starkes und durchgängiges Umsatzwachstum im Luxussegment seit Powerlands Anfängen in diesem Bereich im Jahr 2008 unterstrichen.

- **Führender Produzent von Luxusgütern mit individuellem Design und qualitativ hochwertigen Produkten in China**: Powerland glaubt, dass seine Produkte im Luxussegment mit den großen internationalen Luxusmarken in Bezug auf das Design und die Qualität vergleichbar sind und dass es eine der führenden Handtaschenmarken mit Sitz in China ist. Powerland legt besonderen Wert auf individuelles Design im internationalen Stil und die hohe Qualität der Produkte. Powerland glaubt, dass die Produkte ihres Luxussegments sich von den Produkten der chinesischen Konkurrenz durch ihr eigenes, unverwechselbares Design und ihre hohe Qualität abheben. Powerland hat das italienische Designstudio Studio Francesco Turchi, das von einem früheren Gucci Produktionsleiter Francesco Turchi gegründet wurde und geleitet wird, für das Design der Luxusprodukte engagiert. Außerdem führt Powerland strikte Qualitätskontrollen durch, die es ermöglicht haben, eine gleichbleibend hohe Qualität im Luxussegment aufrechtzuerhalten.

- **Wachsende Anerkennung als Luxusmarke in China**: Seit 2008 hat Powerland erhebliche Ressourcen für Marketingkampagnen aufgewendet, um die Marke Powerland im chinesischen Markt für Luxushandtaschen zu positionieren. Neben diversen Werbekampagnen im nationalen und regionalen Fernsehen und Modemagazinen in China, hat Powerland Michelle Lee, auch bekannt als Michelle Reis, die in China als Model und Schauspielerin sehr bekannt ist, als Markenbotschafterin für die Luxushandtaschen seit 2007 engagiert. Powerland ist der Meinung, dass beständiges Marketing und Markenentwicklung den Bekanntheitsgrad der Marke Powerland bei chinesischen Verbrauchern im mittleren und oberen Bereich des Marktes kontinuierlich gesteigert haben. Dies unterscheidet Powerland von der Mehrheit der chinesischen Konkurrenten und verschafft Vorteile als First-Mover im sich erst entwickelnden Markt für Luxushandtaschen in China. Powerland glaubt, dass die Powerland Marke bis jetzt die einzige Handtaschenmarke in China ist, die den chinesischen „Well-known Trademark" Preis sowie den „Chinese Famous Brand Award" erhalten hat. Diese Auszeichnungen unterstreichen das Ansehen der Marke Powerland in China. Im Jahr 2010, eröffnete Powerland ein Outlet im Diaoyutai State Guesthouse, dem offiziellen Gästehaus der chinesischen Regierung und ist eine von nur zehn Marken, denen es erlaubt war, ein Geschäft im Diaoyutai State Guesthouse zu eröffnen.

- **Erhebliches Vertriebsnetzwerk in China**: Seit der Aufnahme der Geschäftstätigkeit von Powerland im chinesischen Markt für Luxushandtaschen Anfang 2008 war Powerland in der Lage, ein beträchtliches Vertriebsnetzwerk für das Luxussegment aufzubauen. Zum 31. Dezember 2010 besaß Powerland ein Vertriebsnetzwerk aus Powerland Stores, das insgesamt 110 Geschäfte umfasste, darunter waren ein Flagship-Store in Peking, fünf Exklusive-Stores, die sich hauptsächlich in großen Einkaufszentren befinden, und 104 Verkaufsflächen in Warenhäusern (sog. „Shop in Shops") in 26 Provinzen, Verwaltungsbezirken und autonomen Regionen. Da der chinesische Markt für Luxusgüter immer noch hauptsächlich angebotsorientiert ist, war die schnelle Ausweitung des Vertriebsnetzwerks entscheidend für den Erfolg von Powerland im Luxussegment. Powerland glaubt, dass ein modernes und ansprechendes Design der Powerland Stores die Wahrnehmung der Marke Powerland als Hersteller von qualitativ hochwertigen Luxusledertaschen bei chinesischen Kunden weiter stärken wird.

- **Erfahrenes und engagiertes Management Team**: Der Vorstand von Powerland und andere Mitarbeiter in Schlüsselpositionen verfügen über weitreichende operative und industrielle Erfahrung. Herr Shunyuan Guo, der CEO von Powerland, hat über 15 Jahre Erfahrung in der chinesischen und internationalen Textil- und Lederindustrie und verfügt über ein erhebliches Geschäftsnetzwerk auf nationaler und internationaler Ebene. Er wurde mit diversen Wirtschaftspreisen in China ausgezeichnet, unter anderem mit dem „Asian Brands Top 10 Innovator Award" in 2007, dem „Top 10 Innovation Award for Excellence in China" in 2007 und dem „Man of the Year in the Luggage Leather Industry of China Award" in 2009. Er ist Executive Director der China Leather Association und Vice President der Associated Chinese Chambers of Commerce and Industry of South Africa. Herr Yong Liang Guo, der Produktionsvorstand (CPO) von Powerland, ist seit mehr als sieben Jahren bei Powerland in verschiedenen Positionen tätig, zuletzt als General Manager für die Produktion von Produkten aus Stoff und Kunstleder. Er hat einen Master of Business Administration (MBA) der Universität Zhongshan in Guangzhou. Herr Hock Soon Gan, der Finanzvorstand (CFO) von Powerland, besitzt eine mehr als 15-jährige Erfahrung im Finanzdienstleistungssektor in China, Malaysia und den USA. Zuletzt war er als Audit Partner und Mitglied des Vorstands bei BDO Malaysia tätig. Davor war er als Senior Audit Director bei KPMG China und als Leiter einer Prüfungsabteilung bei KPMG Malaysia angestellt.

  Der Aufsichtsratsvorsitzende von Powerland, Dr. Peter Diesch hat als Finanzvorstand und Vorstandsmitglied für verschiedene große deutsche Konzerne gearbeitet. Er war zum Beispiel von 2004 bis 2006 Finanzvorstand der Linde AG.

  Powerland glaubt, dass die Erfahrung ihres Management-Teams und dessen Engagement bei der Umsetzung der Geschäftsstrategie von Powerland wichtig für das Wachstum und die Ausweitung des Geschäfts von Powerland ist.

Strategie

Powerland verfolgt die nachfolgend dargestellten strategischen Ziele:

- **Fokussierung auf das Luxussegment**: Powerland beabsichtigt, ihren Schwerpunkt im Luxussegment weiter auszubauen. Während im Geschäftsjahr 2010 die im Luxussegment erzielten Umsätze ca. 47 % der Gesamtumsätze von Powerland ausmachten, beabsichtigt Powerland, diesen Anteil auf ca. 70 % im Jahre 2013 zu steigern. Daher beabsichtigt Powerland, die Produktpalette im Luxussegment auszuweiten und die Zusammenarbeit mit dem italienischen Design Studio Turchi zu intensivieren. Obwohl das Hauptaugenmerk von Powerland weiterhin auf Damenlederhandtaschen liegt, beabsichtigt Powerland, die Palette an Accessoires, Gürteln und Brieftaschen auszuweiten, um die Produktbasis im Luxussegment zu diversifizieren. Powerland beabsichtigt, den Umsatzanteil aus dem Verkauf von anderen Produkten als Damenhandtaschen im Luxussegment von 20% in 2010 auf ungefähr 30 bis 35% in 2013 zu steigern. Langfristig plant Powerland dem Luxussegment neue Produkte hinzuzufügen (wie Lederjacken, Lederschuhe, Parfüme, Uhren usw.). Während der Wettbewerb von inländischen Konkurrenten in China im chinesischen Freizeittaschen- und -koffermarkt stark ist, glaubt Powerland, dass ihre chinesischen Konkurrenten im Luxusbereich des chinesischen Taschen- und Koffermarktes noch nicht genug Wert auf den Aufbau und Erhalt einer Marke legen, was für Powerland attraktive Chancen eröffnet. Außerdem glaubt Powerland, dass das Luxussegment weiterhin vom starken Wachstum des chinesischen Luxusgütermarktes profitieren wird. Daher glaubt Powerland, dass das Luxussegment weiterhin ein erhebliches Wachstumspotential bereithält, sowohl bezogen auf Umsätze als auch auf den Profitabilität. Powerlands Freizeitsegment spielt eine wichtige Rolle und Powerland beabsichtigt, mit den kontinuierlichen Mittelzuflüssen, die sich aus den Umsätzen in diesem Segment ergeben, die weitere Expansion des Luxussegments voranzutreiben.

- **Ausweitung des Vertriebsnetzwerkes und Stärkung der Marktpräsenz in China**: Powerland ist der Meinung, dass der chinesische Markt für Luxushandtaschen zu einem großen Teil angebotsorientiert ist, was bedeutet, dass die Eröffnung weiterer Geschäfte die Verbrauchernachfrage weiter steigern wird. Powerland beabsichtigt, seine Marktpräsenz in China durch eine Vergrößerung des Vertriebsnetzwerkes mit dem Schwerpunkt auf Tier 1 und Tier 2 Städten in China auszuweiten. Zu diesem Zweck beabsichtigt Powerland, in den nächsten drei Jahren ungefähr 70 selbst betriebene Geschäfte zu eröffnen. Diese sollen über eine Verkaufsfläche von je 100 qm bis 160 qm verfügen und sich in bevorzugten Lagen, wie Haupteinkaufsstraßen oder Einkaufszentren oder auf Flughäfen befinden. Der Schwerpunkt neuer Geschäftseröffnungen soll auf Regionen liegen, in denen Powerlands Vertriebspartner bereits Verkaufsstellen betreiben. Die neuen selbstbetriebenen Geschäfte werden ca. 50 selbstbetriebene Flagship Stores und andere exklusive Verkaufsstellen in Top-Lagen sowie ca. 20 Geschäfte in Flughäfen umfassen. Diese Geschäfte werden eine Schlüsselrolle in der Stärkung der Marke Powerland spielen. Powerland plant, diese Geschäfte selbst zu betreiben, um eine größere Kontrolle über die Marketingaktivitäten, Markenkommunikation und Preisgestaltung zu erhalten sowie unmittelbare und zeitnahe Einblicke in Verbrauchertrends und -vorlieben zu erhalten. Powerland beabsichtigt, die Räumlichkeiten von ca. der Hälfte der neueröffneten selbstbetriebenen Geschäfte, insbesondere der Flagship Stores, zu erwerben. Die Räumlichkeiten für die übrigen selbstbetriebenen Geschäfte sollen gemietet werden. Powerland glaubt, dass das Eigentum der Geschäfte in strategisch wichtigen Lagen, entscheidend ist, um langfristigen Zugang zu solch wichtigen Standorten zu erlangen und zu behalten, da nach diesen Standorten angesichts des erwarteten starken Wachstum des chinesischen Konsumgütermarktes eine große Nachfrage besteht.

  Außerdem plant Powerland die Gesamtanzahl der Einzelhandelsoutlets, die von unabhängigen Vertriebspartnern unter der Marke Powerland betrieben werden, von 110 zum 31. Dezember 2010 auf ungefähr 160 zum Jahresende 2011, 195 zum Jahresende 2012 und 230 zum Jahresende 2013 zu erhöhen. Insbesondere beabsichtigt Powerland, Verkaufsstellen in bekannten Einkaufszentren in strategischen Zielmärkten von Powerland in Tier 1 und Tier 2 Städten in China zu eröffnen.

  Sollten sich diese Möglichkeiten ergeben, könnte Powerland einige der selbstständigen Vertriebspartner erwerben, um die Profitabilität durch höhere Gewinnmargen zu steigern und die Kontrolle über die Einzelhandelsoutlets in Bezug auf Markenkommunikation, direkte Marketing-Aktivitäten, Einzelhandelspreisgestaltung und Kundenfeedback zu erhöhen.

- **Weitere Investitionen in Marketingaktivitäten und Aufbesserung des Markenbildes und der Markenwahrnehmung**: Powerland beabsichtigt, eine der führenden Marken in China für Luxusledertaschen und Accessoires zu werden. Aufgrund des steigenden Lebensstandards in China, erwartet Powerland ein anhaltendes Wachstum im Luxustaschenmarkt. Powerland nimmt an, dass das Markenbild und die Markenwahrnehmung Schlüsselfaktoren zur Verbesserung der Präsenz in diesem Markt sind. Powerland glaubt, dass sich die chinesische Industrie für Luxustaschen, mit Ausnahme von internationalen Luxusmarken, in einer frühen Entwicklungsphase befindet und es an großen inländischen Akteuren fehlt. Durch die Positionierung der eigenen Marke in den vergangenen Jahren glaubt Powerland First-Mover-Vorteile gegenüber inländischen Konkurrenten zu haben. Um diese Position zu nutzen und zu stärken, plant Powerland Investitionen in Marketingaktivitäten und die Förderung der Marke Powerland durch die Entwicklung und Durchführung von Marketingkampagnen, einschließlich Werbung in verschiedenen Medien, mit Schwerpunkt auf Modemagazinen und Prime-Time-Fernsehspots.

Powerland glaubt, dass durch die Realisierung solcher Markenaufbau- und Marketinginitiativen, zusammen mit der fortlaufenden Fokussierung auf Produktqualität und Design im internationalen Stil sowie der Ausweitung und Kenntlichmachung des Vertriebsnetzwerkes, die Markenbekanntschaft weiter ausgebaut werden kann, Powerland ein Trendsetter werden kann und eine stärke Wiedererkennung und Loyalität der Kunden in Bezug auf die Marke und die Produkte sowie höhere Durchschnittsladenpreise erreicht werden können.

- **Steigerung der Produktionsfähigkeiten und stärkere Kontrolle der Produktionsschritte im Luxussegment**: Ein Schlüsselelement in der Wachstumsstrategie von Powerland ist es, die Produktionskapazitäten für Produkte des Luxussegments auszuweiten und interne Kompetenzen und Erfahrungen aufzubauen. Zu diesem Zweck beabsichtigt Powerland, in Produktionsausrüstung und andere professionelle Ausstattung für Luxuslederhandtaschen zu investieren, um die Fertigungsanlagen in Guangzhou auf die Fertigung von Lederhandtaschen aufzurüsten. Obwohl Powerland auch zukünftig beabsichtigt, nur eine sehr begrenzte Anzahl der Produkte des Luxussegments intern zu produzieren, erlauben eigene Produktionskapazitäten für Produkte des Luxussegments, Powerlands Lieferzeit für bestimmte dringende Aufträge der Vertriebspartner für gut verkäufliche Produkte zu verkürzen.
- **Weiterer Schwerpunkt auf Ausbau der Design und Produktentwicklung und weitere Stärkung von Powerlands Designkompetenz und technischem Know-How**: Powerland plant, die Kapazitäten für Design und Produktentwicklung weiter auszubauen, um neuen Produkte zu entwickeln und die Qualität der Powerland-Produkte weiter zu verbessern. Nach Ansicht von Powerland sind diese Maßnahmen Grundvoraussetzung um sich an verändernde Kundenvorlieben anzupassen. Zu diesem Zweck beabsichtigt Powerland, umfangreiche Investitionen in zusätzliche Geräte für Design und für Forschung und Entwicklung zu tätigen und zusätzliche Mitarbeiter in den Bereichen Design und Produktentwicklung einzustellen. Powerland hat kürzlich seinen Designvertrag mit dem italienischen Designpartner Studio Turchi um weitere fünf Jahre verlängert und Herr Turchi wird jede Saison eine gewisse Zeit in China verbringen, um eng mit Powerlands eigenen Design-Mitarbeitern zusammen zu arbeiten.

Weitere wesentliche Angaben betreffend die Gesellschaft

Die Gesellschaft ist eine nach deutschem Recht gegründete Aktiengesellschaft mit Sitz in Frankfurt. Die Gesellschaft ist im Handelsregister des Amtsgerichts Frankfurt unter HRB 90460 eingetragen. Unternehmensgegenstand der Gesellschaft ist die Herstellung, der Verkauf, der Vertrieb und die Vermarktung von Taschen und sonstigen Textil- und Lederprodukten durch die Gesellschaft selbst oder mittelbar durch Tochter- und/oder Beteiligungsunternehmen und alle damit zusammenhängenden Geschäfte sowie die Erbringung von Dienstleistungen für Tochter- und/oder Beteiligungsunternehmen. Die Gesellschaft hält 100% der Anteile an Powerland International Holdings Limited („**Powerland Hongkong**"), einer in Hongkong eingetragenen Gesellschaft, die als Zwischenholding 100% der Anteile an Fujian Powerland Leather Case & Products Co., Ltd. („**Powerland Fujian**") und Guangzhou Powerland Leather Case & Products Co., Ltd. („**Powerland Guangzhou**") hält, die beide in China eingetragen sind. Das operative Geschäft von Powerland wird durch Powerland Fujian und Powerland Guangzhou ausgeführt.

Vorstand	Herr Shunyuan Guo, Herr Hock Soon Gan, Herr Yong Liang Guo, Herr Qingsheng Cai
Senior Management	Herr Jiangbin He, Frau Juanxiu Wang, Herr Yung Chih Chen
Aufsichtsrat	Herr Dr. Peter Diesch, Herr Volker Potthoff, Herr Hsueh Yi Huang
Grundkapital (vor Durchführung des Angebots)	Euro („**EUR**") 10.000.000 unterteilt in 10.000.000 auf den Inhaber lautende Stammaktien ohne Nennbetrag *(Stückaktien)* mit einem anteiligen Betrag am Grundkapital von jeweils EUR 1,00.
Abschlussprüfer	BDO AG Wirtschaftsprüfungsgesellschaft, Ferdinandstraße 59, 20095 Hamburg, Deutschland („**BDO**")
Altaktionäre (vor Durchführung des Angebots)	In der nachfolgenden Tabelle, welche die Aktionäre der Powerland AG zeigt (die „**Altaktionäre**") wird angenommen, dass die bereits vereinbarte Übertragung von Aktien von dem gegenwärtig alleinigen Aktionär, Herr Shunyuan Guo auf die anderen in der Tabelle genannten Aktionäre, die am 8. April 2011 erfolgen soll, bereits erfolgt ist. Die Anzahl der zu übertragenden Aktien wurde basierend auf der Annahme, dass alle 5.000.000 Neuen Aktien platziert werden, festgelegt.

Altaktionäre	**Zahl der Aktien**	**Anteil am Grundkapital**
		(in %)
Guo GmbH & Co. KG[(1)]	9.175.000	91,75
Solar Trend Limited[(2)]	450.000	4,50
Fengyuan Capital Group Limited[(3)]	300.000	3,00
Global Hedge Services Limited[(4)]	75.000	0,75
Summe	**10.000.000**	**100,00**

(1) Guo GmbH & Co. KG: Eine Gesellschaft nach deutschem Recht, gegenwärtig eingetragen im Handelsregister des Amtsgerichts Düsseldorf unter HRA 21273 unter der Firma Kronen tausend557 GmbH & Co. Vorrats KG, deren indirekter Alleingesellschafter der CEO der Gesellschaft, Herr Shunyuan Guo, ist.

(2) Solar Trend Limited: Eine Gesellschaft nach dem Recht Hongkongs, deren Alleingesellschafterin die Schwester des CEO der Gesellschaft, Herrn Shunyuan Guo, Frau Biyan Guo ist. Solar Trend Limited kaufte die Aktien an der Powerland AG von der Guo GmbH & Co. KG gem. eines Aktienkaufvertrags vom 22. März 2011, der vorsieht, dass die Aktienübertragung am Tag der Erstnotierung erfolgt. Der Kaufpreis pro Aktie entspricht vereinbarungsgemäß dem Ausgabepreis.

(3) Fengyuan Capital Group Limited: Eine Gesellschaft nach dem Recht Hongkongs, deren Gesellschafter Herr Kefeng Chen (60%) und Herr Yangjia Li (40%) sind. Fengyuan Capital Group Limited kaufte die Aktien an der Powerland AG von der Guo GmbH & Co. KG gem. eines Aktienkaufvertrags vom 22. März 2011, der vorsieht, dass die Aktienübertragung am Tag der Erstnotierung erfolgt. Der Kaufpreis pro Aktie entspricht vereinbarungsgemäß dem Ausgabepreis.

(4) Global Hedge Services Limited: Eine Gesellschaft nach dem Recht Hongkongs deren Alleingesellschafter der Finanzvorstand der Gesellschaft, Herr Hock Soon Gan, ist. Global Hedge Services Limited kaufte die Aktien an der Powerland AG von der Guo GmbH & Co. KG gem. eines Aktienkaufvertrags vom 22. März 2011, der vorsieht, dass die Aktienübertragung am Tag der Erstnotierung erfolgt. Der Kaufpreis pro Aktie entspricht vereinbarungsgemäß dem Ausgabepreis.

Sitz und Geschäftsjahr

Der Satzungssitz der Gesellschaft ist Frankfurt. Geschäftsanschrift ist Powerland AG, Westhafentower, Westhafenplatz 1, 60327 Frankfurt am Main, Deutschland. Geschäftsjahr ist das Kalenderjahr. Das erste Geschäftsjahr ist ein Rumpfgeschäftsjahr.

Mitarbeiter

Powerland beschäftigte zum 31. Dezember 2010 1.075 Mitarbeiter. Zum Datum dieses Prospektes hat sich die Mitarbeiterzahl nicht wesentlich verändert.

Zusammenfassung des Angebots

Angebot

Das Angebot besteht aus einem öffentlichen Angebot in der Bundesrepublik Deutschland und Luxemburg sowie Privatplatzierungen an institutionelle Anlegern außerhalb der Bundesrepublik Deutschland, Luxemburg und den Vereinigten Staaten.

Gegenstand des Angebots sind 6.325.000 auf den Inhaber lautende Stammaktien ohne Nennbetrag (Inhaberstückaktien) der Powerland AG mit einem anteiligen Betrag am Grundkapital von jeweils EUR 1,00 und mit voller Gewinnanteilberechtigung für das Rumpfgeschäftsjahr 2011 (die „**Angebotsaktien**").

Von diesem Betrag stammen (i) 5.000.000 auf den Inhaber lautende Stammaktien ohne Nennbetrag (Inhaberstückaktien) aus einer am 22. März 2011 von einer außerordentlichen Hauptversammlung beschlossenen Kapitalerhöhung gegen Bareinlagen („**Neue Aktien**"), und (ii) 500.000 auf den Inhaber lautende Stammaktien ohne Nennbetrag (Inhaberstückaktien) (die „**Bestehenden Angebotsaktien**") aus dem Aktienbesitz der Guo GmbH & Co. KG (der „**Verkaufende Aktionär**") und (iii) 825.000 auf den Inhaber lautende Stammaktien ohne Nennbetrag (Inhaberstückaktien) aus dem Eigentum des Verkaufenden Aktionärs im Hinblick auf eine eventuelle Mehrzuteilung („**Greenshoe-Aktien**").

Die Anzahl der an Investoren auszugebenen Neuen Aktien wird voraussichtlich am 8. April 2011 festgelegt und wird der Anzahl von Aktien entsprechen, die notwendig ist, um der Gesellschaft einen Bruttoemissionserlös zwischen EUR 80 Millionen und EUR 90 Millionen zu ermöglichen.

Verkaufender Aktionär

Guo GmbH & Co. KG

Angebotsfrist

Die Frist, innerhalb welcher Anleger Kaufangebote abgeben können („**Angebotsfrist**") beginnt voraussichtlich am 31. März 2011 und endet voraussichtlich am 7. April 2011. Beginn und Ende der Angebotsfrist werden gemeinsam mit der Preisspanne und anderen Angaben in Form eines Nachtrags zum Prospekt veröffentlicht. Die Gesellschaft und die Konsortialbanken behalten sich ausdrücklich das Recht vor, das Auftragsbuch vor dem 7. April 2011 zu schließen und das frühere Ende der Angebotsfrist bekannt zu geben.

Kaufangebote sind bis zum Ende der Angebotsfrist frei widerruflich.

Am letzten Tag der Angebotsfrist können Privatanleger Kaufangebote bis 12:00 Uhr (MESZ) und institutionelle Anleger bis 18:00 Uhr (MESZ) abgeben.

Preisspanne und Platzierungspreis

Die Preisspanne, innerhalb derer Kaufangebote abgegeben werden können, wird gemeinsam mit den genauen Daten des Beginns und Endes der Angebotsfrist vor Beginn der Frist in Form einer Ad-hoc Mitteilung über ein elektronisch betriebenes Informationssystem und nach Erhalt der Billigung durch die Bundesanstalt für Finanzdienstleistungsaufsicht („**BaFin**") in Form eines Nachtrags zum Prospekt auf der Internetseite der Gesellschaft (www.powerland.ag) bekannt gegeben. Der Nachtrag wird überdies in einer kostenlosen Ausgabe in gedruckter Form während der üblichen Geschäftszeiten in den Geschäftsräumen der Gesellschaft und des Alleinigen Globalen Koordinators bereitgehalten.

Der Platzierungspreis je Angebotsaktie wird von der Gesellschaft und dem Alleinigen Globalen Koordinator anhand des im Bookbuilding-Verfahren erstellten Orderbuchs gemeinsam festgelegt. Der Platzierungspreis wird im Anschluss hieran in Form einer Ad-hoc-Mitteilung über ein elektronisch betriebenes Informationssystem und auf der Internetseite der Gesellschaft

	(www.powerland.ag) sowie frühestens am darauf folgenden Werktag (einschließlich Samstagen) durch Bekanntmachung in der *Frankfurter Allgemeinen Zeitung* veröffentlicht. Insbesondere für den Fall, dass das Platzierungsvolumen nicht ausreicht, um sämtliche Kaufaufträge zum Platzierungspreis zu bedienen, behält sich der Alleinige Globale Koordinator vor, Kaufangebote nicht oder nur teilweise anzunehmen.
Änderungen der Angebotsbedingungen	Die Gesellschaft behält sich gemeinsam mit dem Alleinigen Globalen Koordinator das Recht vor, die Anzahl der Angebotsaktien zu verringern, die obere und/oder untere Begrenzung der Preisspanne zu reduzieren oder zu erhöhen und/oder den Angebotszeitraum zu verlängern oder zu verkürzen. Im Falle einer Änderung der Angebotsbedingungen wird die Änderung als Mitteilung über elektronische Informationsdienstleister wie Reuters oder Bloomberg sowie auf der Internetseite der Gesellschaft (www.powerland.ag) und, soweit dies nach dem Wertpapierhandelsgesetz und/oder dem Wertpapierprospektgesetz erforderlich ist, als Ad-hoc-Mitteilung und/oder als Nachtrag zu diesem Prospekt veröffentlicht werden. Eine individuelle Benachrichtigung der Anleger, die Kaufangebote abgegeben haben, erfolgt nicht.
Lieferung und Abrechnung der Angebotsaktien	Die Angebotsaktien werden voraussichtlich einen Bankarbeitstag nach Notierungsaufnahme der Aktien gegen Zahlung des Platzierungspreises geliefert.
Mehrzuteilung/ Stabilisierung	Im Zusammenhang mit der Platzierung der Angebotsaktien können im rechtlich zulässigen Umfang Mehrzuteilungen und so genannte Stabilisierungsmaßnahmen vorgenommen werden, um den Börsenkurs oder den Marktpreis der Aktien der Gesellschaft zu unterstützen. Stabilisierungsmaßnahmen können mit dem Zeitpunkt der Aufnahme der Börsennotierung der Aktien der Gesellschaft eingeleitet werden und müssen spätestens am darauf folgenden 30. Kalendertag abgeschlossen werden.
Greenshoe-Option	Der Verkaufende Aktionär hat dem Alleinigen Globalen Koordinator 825.000 auf den Inhaber lautende Stammaktien ohne Nennbetrag (die „**Greenshoe Aktien**“) im Rahmen einer so genannten Wertpapierleihe gewährt, um eine eventuelle Mehrzuteilung zu ermöglichen. Im Hinblick auf die Rückführung dieser Wertpapierleihe hat der Verkaufende Aktionär dem Alleinigen Globalen Koordinator die Option eingeräumt, alle oder manche der Greenshoe Aktien zum Platzierungspreis abzüglich vereinbarter Provisionen zu erwerben (die „**Greenshoe Option**“). Diese Greenshoe Option erlischt 30 Kalendertage nach Notierungsaufnahme.
Allgemeine Zuteilungskriterien	Die Gesellschaft, der Verkaufende Aktionär und die Konsortialbanken werden die „Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger“ beachten, die am 7. Juni 2000 von der Börsensachverständigenkommission beim Bundesministerium der Finanzen herausgegeben wurden.
Konsortialbanken	Macquarie Capital (Europe) Limited; Joh. Berenberg, Gossler & Co. KG
Alleiniger Globaler Koordinator, Alleiniger Bookrunner und Gemeinsamer Lead Manager	Macquarie Capital (Europe) Limited
Gemeinsamer Lead Manager	Joh. Berenberg, Gossler & Co. KG

Selling Agents

comdirect bank AG; Cortal Consors S.A.; Zweigniederlassung Deutschland; S Broker AG & Co. KG; DAB bank AG

Zulassung zum Börsenhandel und zur Börsennotierung

Ein Antrag auf Zulassung sämtlicher Aktien der Gesellschaft – einschließlich der Neuen Aktien – zum Handel am Regulierten Markt *(Prime Standard)* an der Frankfurter Wertpapierbörse wird voraussichtlich am 24. März 2011 eingereicht; die Börsenzulassung wird voraussichtlich frühestens einen Arbeitstag nach Ablauf des Angebotszeitraums erfolgen. Handelsbeginn wird voraussichtlich am ersten Börsenhandelstag nach dem Tag der Zulassung sein.

Vorzeitige Beendigung des Angebots

Der Übernahmevertrag sieht vor, dass der Alleinige Globale Koordinator im Namen der Konsortialbanken den Übernahmevertrag bei Vorliegen von bestimmten Umständen kündigen kann. Dies ist auch noch nach Zuteilung und Notierung der Aktien bis zur Lieferung und Abrechnung der Aktien möglich.

Im Falle einer Kündigung des Übernahmevertrags erfolgt kein Angebot. In einem solchen Falle werden Aktienzuteilungen an die Anleger für ungültig erklärt und die Investoren haben keinen Lieferungsanspruch. Ansprüche aus gezahlten Zeichnungsgebühren und den Anleger im Zusammenhang mit der Zeichnung entstandene Kosten werden ausschließlich nach Maßgabe der rechtlichen Verhältnisse zwischen dem jeweiligen Anleger und der Institution, bei der dieser ein Kaufangebot abgegeben hat, geregelt.

Marktschutzvereinbarung/Veräußerungsbeschränkungen (Lock-up)

Die Gesellschaft hat sich gegenüber den Konsortialbanken verpflichtet, innerhalb der ersten sechs Monate nach Notierung der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse:

- keine Kapitalerhöhung aus genehmigtem Kapital anzukündigen oder durchzuführen,

- der Hauptversammlung keine Kapitalerhöhung zur Beschlussfassung vorzuschlagen,

- weder (a) direkt noch indirekt Aktien oder andere Wertpapiere der Gesellschaft, die in Aktien der Gesellschaft umgewandelt werden können oder dafür eingetauscht werden können oder ein Recht zum Erwerb von Aktien der Gesellschaft verkörpern, auszugeben, zu kaufen, zu verkaufen, anzubieten, sich zu deren Verkauf zu verpflichten, zu vermarkten, anderweitig auszugeben oder ein darauf bezogenes Angebot bekannt zu machen, noch (b) Geschäfte (einschließlich Derivativgeschäfte) abzuschließen oder durchzuführen, die wirtschaftlich dem Kauf oder Verkauf von Aktien der Gesellschaft entsprechen oder (c) weder direkt noch indirekt Geschäfte im Sinne der vorangehenden Bestimmungen (a) und/oder (b) zu veranlassen oder diesen zuzustimmen.

Darüber hinaus hat sich die Gesellschaft für weitere sechs Monate verpflichtet, ohne vorherige schriftliche Zustimmung des Alleinigen Globalen Koordinators keine der vorgenannten Geschäfte durchzuführen.

Die Altaktionäre haben sich gegenüber den Konsortialbanken verpflichtet, innerhalb der ersten zwölf Monate nach Notierung der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse

- weder direkt noch indirekt Aktien der Gesellschaft oder andere Wertpapiere, die in Aktien der Gesellschaft umgewandelt, ausgeübt oder dafür eingetauscht werden können, anzubieten, zu verpfänden, zuzuteilen, zu verkaufen, sich zu deren Verkauf, Einbringung oder anderweitiger Übertragung zu verpflichten oder einverstanden zu sein, Aktionärsvereinbarungen im Hinblick auf die Stimmrechte einzugehen oder anderweitig mit anderen Aktionären zusammenzuwirken („acting in concert“), eine Option zu deren Erwerb zu verkaufen oder sich zu dem Erwerb zu verpflichten, eine Option zu deren Verkauf zu erwerben, eine Option, ein Recht oder die Befugnis zu deren Erwerb zu gewähren oder anderweitig, Aktien der Gesellschaft oder andere Wertpapiere, die in Aktien der Gesellschaft umgewandelt oder ausgeübt oder dafür eingetauscht werden können, zu übereignen oder diese zu veräußern,

- keine Swapgeschäfte oder andere Geschäfte abzuschließen, mit denen das wirtschaftliche Risiko verbunden mit dem Besitz von Aktien der Gesellschaft ganz oder teilweise auf einen Dritten übertragen wird, unabhängig davon, ob die, in den voranstehenden Klauseln beschriebenen Geschäfte durch die Lieferung von Aktien der Gesellschaft, anderer Wertpapiere, Barzahlung oder sonstiger Gegenleistung befriedigt werden sollen,

- keine Registrierung von Aktien der Gesellschaft oder anderen Wertpapieren, die in Aktien der Gesellschaft umgewandelt, ausgeübt oder dafür eingetauscht werden können, nach US-amerikanischen Wertpapierbestimmungen zu fordern oder Rechte auf eine solche Eintragung auszuüben, oder

- ohne die schriftliche Zustimmung des Alleinigen Globalen Koordinators keine Kapitalerhöhung der Gesellschaft vorzuschlagen, einer solchen vorgeschlagenen Erhöhung zuzustimmen oder eine vorgeschlagene Kapitalerhöhung der Gesellschaft anderweitig zu unterstützen.

Darüber hinaus hat sich der Verkaufende Aktionär für weitere sechs Monate verpflichtet, ohne vorherige schriftliche Zustimmung des Alleinigen Globalen Koordinators keine der vorgenannten Geschäfte zu tätigen.

Diese Beschränkungen gelten nicht für den Verkauf der Angebotsaktien, für Aktienoptionen, die durch die Gesellschaft im Zuge des Mitarbeiter-Aktienoptionsprogramms angeboten werden sowie für Aktien, die auf dem freien Markt erworben werden.

Kosten des Börsengangs für die Gesellschaft

Da sich die Kosten des Börsengangs nach der gesamten Anzahl der platzierten Aktien und dem Platzierungspreis, auf deren Grundlage der Provisionsbetrag bestimmt wird, richten, können die Kosten des Börsengangs von der Gesellschaft zu diesem Zeitpunkt nicht zuverlässig berechnet werden. Die Gesellschaft schätzt, dass sich die Kosten des Börsengangs (einschließlich der Provisionen für die Konsortialbanken) auf insgesamt zwischen ca. EUR 8,4 Mio. und EUR 9,4 Mio. belaufen werden wovon zwischen EUR 7,4 Mio. und EUR 7,9 Mio. von der Gesellschaft getragen werden und der verbleibende Betrag von dem Verkaufenden Aktionär zu tragen ist.

Verwendung des Emissionserlöses

Die Gesellschaft beabsichtigt, einen Bruttoemissionserlös aus dem Verkauf der Neuen Aktien zwischen EUR 80 Mio. und EUR 90 Mio. zu erhalten, und plant die Anzahl der zu platzierenden Neuen Aktien entsprechend festzulegen. Die Gesellschaft beabsichtigt, den ihr zufließenden Nettoemissionserlös aus dem Verkauf der Neuen Aktien zur Finanzierung der weiteren Expansion der Geschäftstätigkeit von Powerland zu verwenden. Insbesondere beabsichtigt Powerland:

- ca. 70% der Netto-Einnahmen aus dem Verkauf der Neuen Aktien für die Ausweitung ihres Verkaufsnetzwerkes, einschließlich dem Vertrieb der Produkte aus dem Luxussegment durch die Eröffnung und den Betrieb von ungefähr 70 selbstbetriebenen Läden bis Ende 2013 zu verwenden. Diese beinhalten ungefähr 50 selbstbetriebene Flagship-Stores und andere Geschäfte in erstklassiger Lage sowie ungefähr 20 Geschäfte in Flughäfen.

Diese Geschäfte werden direkt von Powerland betrieben. Powerland beabsichtigt, ungefähr die Hälfte der Geschäftsräume der neu eröffneten Läden zu kaufen und die Flächen für die verbleibenden neuen selbstbetriebenen Läden anzumieten.

- ca. 12% der Netto-Einnahmen aus dem Verkauf der Neuen Aktien für die weitere Stärkung der Marke Powerland durch Marketing-Aktivitäten, der Einführung von eigenen Produktionskapazitäten für die Produkte des Luxussegments und die Verstärkung des eigenen Design Teams zu verwenden.

- ca. 18% der Netto-Einnahmen aus dem Verkauf der Neuen Aktien für allgemeine gesellschaftliche Zwecke (Geschäftskapital; die Rückzahlung kurzfristiger Darlehen und die Einführung eines Berichts, Verkaufs- und Vertriebsinformationssystems) zu verwenden.

Wertpapier-Kennnummer (WKN) PLD555

International Securities Identification Number (ISIN) DE000PLD5558

Ticker Symbol 1PL

Ausgewählte Finanzangaben

Die Gesellschaft wurde durch notarielle Gründungsurkunde am 21. Februar 2011 gegründet und entstand durch Eintragung im Handelsregister des Amtsgerichts Frankfurt am 14. März 2011.

*Das operative Geschäft von Powerland wird ausschließlich von der Fujian Powerland Suitcase and Leather Goods, Co. Ltd. („**Powerland Fujian**") und der Guangzhou Powerland Suitcase and Leather Goods, Co. Ltd. („**Powerland Guangzhou**") ausgeführt, beides indirekte 100%-ige Tochtergesellschaften der Gesellschaft. Alle Anteile an Powerland Fujian und Powerland Guangzhou werden von der Powerland International Holdings Limited („**Powerland Hongkong**") gehalten, einer Gesellschaft nach Hongkonger Recht, deren Alleingesellschafterin die Powerland AG ist.*

*Um die Geschäfts-, Finanz- und Ertragslage im Hinblick auf das operative Geschäft von Powerland darzustellen, hat Powerland konsolidierte Jahresabschlüsse der Powerland Hongkong für die am 31. Dezember 2008, 31. Dezember 2009 und 31. Dezember 2010 endenden Geschäftsjahre nach IFRS (die „**Konsolidierten Abschlüsse**") erstellt.*

Die Konsolidierten Abschlüsse wurden auf freiwilliger Basis für das Angebot erstellt. Der Zweck dieser Finanzangaben besteht darin, Investoren eine bessere Vergleichbarkeit der Entwicklung der Geschäfts-, Finanz- und Ertragslage und der Ergebnisse der Geschäftstätigkeit von Powerland in den letzten drei Jahren zu ermöglichen.

*Die Konsolidierten Abschlüsse wurden von der BDO AG Wirtschaftsprüfungsgesellschaft, Ferdinandstraße 59, 20095 Hamburg, Deutschland („**BDO**") geprüft.*

Powerlands ausgewählte Finanzangaben für die am 31. Dezember 2008, 31. Dezember 2009 und 31. Dezember 2010 endenden Geschäftsjahre, die in diesem Abschnitt enthalten sind, wurden den Konsolidierten Abschlüssen entnommen.

Die folgenden Zahlenangaben wurden nach anerkannten Grundsätzen gerundet. Additionen der Zahlenangaben in einer Tabelle können daher zu anderen als den ebenfalls in der Tabelle dargestellten Summen führen.

	31. Dezember					
	2008		2009		2010	
			(geprüft)[1]			
	TEUR	%	TEUR	%	TEUR	%
Umsatzerlöse	**54.701**	**100**	**82.176**	**100**	**112.635**	**100**
Herstellungskosten	(30.818)	56	(46.763)	57	(67.865)	60
Bruttoergebnis	**23.883**	**44**	**35.413**	**43**	**44.770**	**40**
Sonstige Erträge	123	1	129	0	85	0
Aufwendungen für Vertrieb und Verkauf	(6.550)	12	(9.294)	11	(11.234)	10
Verwaltungsaufwand und sonstige betriebliche Aufwendungen	(4.114)	8	(5.046)	6	(6.603)	6
Netto Finanzaufwand	(897)	2	(463)	1	(920)	1
Ergebnis vor Steuer	**12.445**	**23**	**20.739**	**25**	**26.098**	**23**
Ertragsteuern	(1.632)	3	(2.722)	3	(3.481)	3
Nettoüberschuss für das Finanzjahr	**10.813**	**20**	**18.017**	**22**	**22.617**	**20**
Ausgewählte Angaben aus der Bilanz						
Summe Vermögenswerte	32.080		31.526		72.501	
Summe Verbindlichkeiten	16.077		14.011		45.296	
Summe Eigenkapital	16.003		17.515		27.205	
Ausgewählte Angaben aus der Kapitalflussrechnung						
Netto Cash flow aus Geschäftstätigkeit	6.898		19.436		26.103	
Cash flow aus Investitionstätigkeit	(1.152)		(30)		(16.723)	
Cash flow aus Finanzierungstätigkeit	(2.966)		(16.647)		(2.887)	
Zahlungsmittel zum Periodenende	**5.122**		**7.718**		**15.319**	

	31. Dezember		
Weitere ausgewählte Finanzinformationen	**2008**	**2009**	**2010**
	TEUR	**TEUR**	**TEUR**
Bruttoergebnis-Marge	44%	43%	40%
EBITDA[2]	13.683	21.586	27.426
EBITDA Marge[3]	25%	26%	24%
EBIT[4]	13.342	21.202	27.018
EBIT Marge[5]	24%	26%	24%
Nettoergebnis-Marge[6]	20%	22%	20%
Ausgeschüttete Dividenden[7]	3.929	16.824	16.695
Finanzverbindlichkeiten[8]	7.586	7.435	21.866
Nettoverbindlichkeiten[9]	2.464	(283)	6.547
Zahl der Mitarbeiter[10]	955	917	1.075

(1) Geprüfte Finanzangaben mit Ausnahme von „Weitere ausgewählte Finanzinformationen" bei welchen es sich um Informationen der Gesellschaft handelt
(2) EBITDA berechnet sich als Periodenüberschuss abzüglich Zinserträge zuzüglich Zinsaufwand zuzüglich Steueraufwand abzüglich Steuerrückvergütung zuzüglich/abzüglich Kapitalerträge zuzüglich Abschreibungen
(3) EBITDA Marge berechnet sich aus EBITDA dividiert durch Umsatzerlöse multipliziert mit 100
(4) EBIT berechnet sich aus Periodenüberschuss abzüglich Zinserträge zuzüglich Zinsaufwand zuzüglich Steueraufwand abzüglich Steuerrückvergütung zuzüglich/abzüglich Kapitalerträge
(5) EBIT geteilt durch Umsatzerlöse multipliziert mit 100
(6) Periodenüberschuss geteilt durch Umsatzerlöse multipliziert mit 100
(7) Die Angaben sind in Anhang 27 der konsolidierten Abschlüsse von Powerland Hongkong für die zum 31. Dezember 2008, 2009 und 2010 endenden Geschäftsjahre angegeben
(8) Finanzverbindlichkeiten berechnen sich aus der Gesamtsumme der Fremdmittel von Finanzinstituten
(9) Nettoverbindlichkeiten berechnen sich aus der Gesamtsumme der Fremdverbindlichkeiten abzüglich flüssiger und gleichwertiger Mittel. Diese Angaben sind in Anhang 31.4 der konsolidierten Abschlüsse von Powerland Hongkong für die zum 31. Dezember 2008, 2009 und 2010 endenden Geschäftsjahre angegeben
(10) Zum Bilanzstichtag

Zusammenfassung der Risikofaktoren

Anleger sollten gewisse Risiken sorgfältig abwägen, bevor sie die Entscheidung zum Kauf von Aktien der Gesellschaft treffen. Das Eintreten der mit diesen Risiken verbundenen Ereignisse entweder einzeln oder zusammen mit anderen Umständen kann sich wesentlich nachteilig auf die Geschäftstätigkeit von Powerland auswirken und die Vermögens-, Finanz- und Ertragslage von Powerland erheblich beeinträchtigen. Es ist möglich, dass infolge eines mit dem Eintreten dieser Risiken verbundenen Ereignisses der Börsenkurs der Aktien sinkt und Anleger ihr investiertes Kapital ganz oder teilweise verlieren. Als Risikofaktoren gelten:

Risiken bezüglich der Geschäftstätigkeit von Powerland

- Die Strategie von Powerland, eine „Powerland" Marke als Marke für luxuriöse Ledertaschen in der Volksrepublik China („**China**") aufzubauen, könnte fehlschlagen.
- Die Geschäftstätigkeit von Powerland und die erfolgreiche Umsetzung der Wachstumsstrategie hängen von dem bestehenden Einzelhandelsvertriebsnetzwerk von unabhängigen Händlern in China und dessen erfolgreicher zukünftiger Ausweitung ab.
- Der Erfolg von Powerland ist von seiner Zusammenarbeit mit einem unabhängigen Design-Studio in Italien abhängig.
- Powerland ist von der Nachfrage nach Konsumgütern und besonders der Nachfrage nach Luxusgütern in China abhängig.
- Powerland ist in einem wettbewerbsintensiven Umfeld tätig. Gesteigerter Wettbewerb oder der Eintritt von neuen Konkurrenten könnte sich in sinkenden Umsätzen auswirken.
- Powerland ist von der Entwicklung und der Marktakzeptanz von neuen Produkten abhängig und könnte nicht in der Lage sein, verändernde Kundenpräferenzen präzise vorherzusagen oder sich schnell auf diese einzustellen.
- Powerland könnte nicht in der Lage sein, mögliche steigende Kosten für die Belieferung mit Rohmaterial, insbesondere Leder, Stoffe und Kunstleder, an die Kunden weiterzugeben.
- Im Luxussegment ist Powerland von dritten Herstellern abhängig.
- Unterbrechungen oder Verspätungen bei der Belieferung mit Rohmaterial oder fertigen Produkten durch die Zulieferer an Powerland oder während der Lieferung von Produkten durch Powerland an seine Vertriebshändler und Kunden könnten die Betriebskosten erheblich steigern.
- Die Geschäftstätigkeit von Powerland und die Umsetzung der Wachstumsstrategie sind sehr kapitalintensiv und es könnte Powerland nicht gelingen, ausreichend Geschäftskapital zu stellen oder eine zusätzliche Finanzierung zu sichern.
- Powerland ist Wechselkursschwankungen ausgesetzt.
- Powerland könnte nicht in der Lage sein, sein Know-How zu schützen und die Schutz- und Urheberrechte könnten verletzt werden.
- Powerland könnte geschützte Designs von Dritten oder andere Schutz- und Urheberrechte verletzten.
- Der geschäftliche Erfolg hängt davon ab, dass es Powerland gelingt, Schlüsselpersonal zu rekrutieren und zu halten.
- Powerland könnte steigenden Arbeitskosten und einen Mangel an qualifizierten Arbeitern gegenüberstehen.
- Powerlands betriebswirtschaftliche und finanzielle Planungssysteme sowie die Berichtssysteme und personelle Ausstattung des Managements könnten unzureichend sein, um erfolgreich das zukünftige Wachstum zu steuern und zu unterstützen und um ein zuverlässiges Finanzmanagement sicherzustellen.
- Der Vorstand der Gesellschaft verfügt über keine Erfahrung im Hinblick auf die gesetzlichen Anforderungen für börsennotierte Unternehmen in Deutschland und hat derzeit kein adäquates Risikomanagementsystem.

- Es könnte dem Aufsichtsrat der Gesellschaft schwer fallen, den Vorstand angemessen zu überwachen, insbesondere da die nicht-deutschen Mitglieder des Aufsichtsrats nur begrenzte Erfahrung damit haben, ihren Verpflichtungen nach dem deutschen Aktiengesetz nachzukommen.
- Der CEO der Gesellschaft, Herr Shunyuan Guo, wird auch nach dem öffentlichen Angebot indirekt einen erheblichen Anteil des Grundkapitals der Gesellschaft halten, wodurch er befähigt ist, erhebliche Kontrolle über die Gesellschaft auszuüben. Gleichzeitig könnte er damit Interessenkonflikten ausgesetzt sein.
- Die Gesellschaft ist eine Holdinggesellschaft, deren Liquidität vom Zugriff auf die liquiden Mittel ihrer in China ansässigen operativen Tochtergesellschaften abhängig ist.
- Powerland verfügt über keinen Versicherungsschutz, der üblicherweise in wirtschaftlich weiter entwickelten Ländern für Unternehmen von Powerlands Art und Größe besteht.
- Derzeit genießt Powerland Steuervorteile in China, die im Laufe der nächsten Jahre auslaufen und somit den Einkommenssteuersatz von Powerland erhöhen. Steuervorschriften und Regulierungen könnten sich zum Nachteil von Powerland oder seinen Aktionären verändern.
- Die Gesellschaft und Powerland Hong Kong könnten nach dem chinesischen Unternehmens-Einkommensteuerrecht als ein in China steueransässiges Unternehmen angesehen werden und damit der chinesischen Besteuerung unterliegen.

Risiken bezüglich des Politischen, Sozialen und Rechtlichen Umfelds der Volksrepublik China

- Allgemeine Risiken bezüglich der Geschäftstätigkeit in China welche generell größeren wirtschaftlichen, politischen und rechtlichen Risiken unterworfen sind als Geschäftstätigkeit in weiter entwickelten Volkswortschaften.
- Die chinesischen „Vorschriften zum Erwerb inländischer Unternehmen durch ausländische Investoren“ (die „**M&A-Vorschriften**“) könnten erhebliche negative Auswirkungen auf Powerland haben.
- Die Rechtsvorschriften der SAFE (State Administration of Foreign Exchange) in Bezug auf Off-Shore-Investitionen, die von in China ansässigen Personen oder chinesischen Staatsbürgern getätigt werden, könnten die geschäftlichen Aktivitäten und Finanzierungsalternativen von Powerland negativ beeinflussen.
- Powerland unterliegt den chinesischen regulatorischen Vorgaben in Bezug auf Devisen, die Powerlands Fähigkeit, die laufenden Geschäftstätigkeiten mit ausländischem Kapital zu finanzieren, einschränken.
- Die chinesischen regulatorischen Vorgaben in Bezug auf Darlehen bzw. Eigenkapital, das ausländische Muttergesellschaften chinesischen Tochtergesellschaften gewähren, könnten die Nutzung des Emissionserlöses durch Powerland verzögern oder verhindern.
- Wirtschaftliche Instabilität in China könnte sich ungünstig auf die Geschäfte von Powerland auswirken.
- Eine Destabilisierung des politischen Systems könnte die wirtschaftliche Liberalisierung Chinas gefährden.
- Gesundheitsgefährdende Epidemien und der Ausbruch von ansteckenden Krankheiten, wozu auch die Vogelgrippe, das akutes respiratorisches Syndrom (SARS) oder der Schweinegrippe zählen, könnten die chinesische Wirtschaft erheblich nachteilig beeinflussen.
- Das Rechtssystem der Volksrepublik China und die nationalen steuerlichen Vorschriften beinhalten Unsicherheiten und Inkonsistenzen.
- Die mangelnde Unabhängigkeit und geringe Erfahrung des Gerichtswesens und die Schwierigkeiten bei der Vollstreckung von richterlichen Entscheidungen sowie der Ermessensspielraum der staatlichen Behörden bei der Durchsetzung gerichtlicher Anordnungen könnten Powerland daran hindern, effektive Rechtsmittel in einem Gerichtsverfahren einzusetzen.
- Es bestehen Schwierigkeiten hinsichtlich der Anerkennung und Durchsetzung von ausländischen Urteilen in China.

- Ausländischen Investitionen könnten Beschränkungen in China auferlegt werden.
- Veränderungen der Arbeitspolitik und -gesetzgebung in China könnten die Geschäftsergebnisse beeinflussen.
- Die Genauigkeit der industrieller und der statistischen Daten, die in diesem Prospekt enthalten sind, könnte nicht zuverlässig sein.

Risiken bezüglich des Angebots

- Ein liquider Handel mit Aktien der Gesellschaft könnte sich möglicherweise nicht entwickeln.
- Der Aktienkurs könnte Kursschwankungen ausgesetzt sein.
- Der Verkauf von Aktien durch die Altaktionäre könnte den Aktienkurs beeinträchtigen.
- Das Eingehen von Leerverkäufen vor Lieferung ist mit Risiken behaftet.
- Das Angebot könnte nicht vollständig durchgeführt werden, was die Wachstumsaussichten von Powerland und/oder die Liquidität der Aktien am Markt negativ beeinflussen könnte.

Investors should carefully read and consider the risks described below and other information included in this Prospectus before deciding whether to purchase shares of the Company. The occurrence of these risks, alone or in connection with other circumstances, may materially and adversely affect the business of Powerland and have a material adverse effect on the business, financial condition and results of operations of Powerland. The market price of the shares could decline as a result of the occurrence of any of these risks, and investors may lose all or part of their investment. Additional risks and uncertainties of which the Company is currently not aware could also materially adversely affect the business of Powerland and could have material adverse effects on the business, financial condition and results of operations of Powerland. Investors should pay particular attention to the fact that the operating entities of Powerland are incorporated in China and governed by a legal and regulatory environment which in various respects may differ from that of other countries. The order in which the following risk factors are presented does not reflect the likelihood of their occurrence, nor the extent or significance of the individual risks.

Risks Related to Powerland's Business

Powerland's strategy of establishing the Powerland brand as a brand for luxury leather bags in the People's Republic of China ("PRC") might fail.

Powerland's business comprises two main segments, (i) the luxury segment mainly focusing on luxury leather bags sold under the Powerland brand (the "**Luxury Segment**"), and (ii) the casual segment focusing on bags made of textile and/or synthetic leather sold under the "Sotto" brand or other brands or manufactured by Powerland as original equipment manufacturer ("**OEM**") (the "**Casual Segment**"). Until 2007, Powerland was mainly active in the Casual Segment. In 2008, management launched the Powerland brand in the PRC market. Management believes that continuing the development of the Powerland brand will be one of the key competitive criteria for Powerland's further expansion in China.

It is therefore the main component of Powerland's strategy to capture a significant share of the fast growing PRC market for luxury leather bags by increasing consumer awareness for the Powerland brand as a brand standing for high-end luxury leather products. Establishing and fostering a successful brand in the luxury segment requires significant investment in marketing. Powerland could pursue marketing measures that prove to be ineffective or too expensive. In addition, Powerland could misjudge consumer preferences. In the Luxury Segment, Powerland faces fierce competition, in particular, from international luxury brands. These international competitors have greater financial resources than Powerland and long-standing experience in building and fostering luxury brands. For fostering its brand, it is important that Powerland is successful in opening and maintaining new stores in good locations. Competition for these locations, in particular with international top brands, is intense and Powerland could fail to open sufficient new stores in the desired locations. It can also not be excluded, that Chinese consumers will continue to prefer large international luxury brands over PRC brands.

In addition, as Powerland has only recently established the Powerland brand in the Chinese market, the brand "Powerland" is not as established in this market as brands of the international luxury bag companies. Being a relatively newly established brand makes Powerland particularly vulnerable to factors negatively affecting the perception of its brand and there can be no assurance that Powerland will be successful in establishing the Powerland brand as a luxury brand in the Chinese market. Should Powerland's strategy to focus on continuing to establish the Powerland brand as a brand for luxury leather bags in the PRC market fail, this could have a material adverse effect on its business, financial condition and results of operations.

Powerland's business and the successful implementation of its growth strategy depends on its existing PRC retail sales network of independent distributors and its successful future expansion.

The sale of Powerland's products from the Luxury Segment to end-customers is effected almost exclusively through a distribution network in China consisting of 42 independent retail distributors operating a total of 110 retail outlets (as at 31 December 2010) under the Powerland brand with uniform design standards (the "**Powerland Stores**"). Powerland Stores are managed or controlled by independent distributors which have been granted rights to sell Powerland's products at specific locations in China under distribution agreements that Powerland entered into with these distributors.

Powerland does not have direct control over the management of the Powerland Stores operated by independent retail distributors and therefore depends on their cooperation and performance. Powerland's business could be adversely affected if Powerland Stores are managed ineffectively or inappropriately. In addition, the distribution agreements with the retail distributors have a term of only one year unless they are extended. Powerland therefore does not have contractual means to ensure the consistency of its network of retail distributors for a longer period. The termination of key distribution agreements could have a material adverse effect on Powerland's retail distribution network.

Powerland intends to substantially increase the total number of Powerland Stores from 110 to approximately 300 within the next three years. Powerland intends to operate some of the new Powerland Stores itself. This expansion of the PRC retail sales network will necessitate significant up-front investments. Powerland usually grants the retail distributors a one-time subsidy for furnishing the store for opening a new Powerland Store. The amount of the subsidy depends on the size of the store and ranges between RMB 200,000 (EUR 23 thousand) and RMB 650,000 (EUR 74 thousand). In case of stores operated by Powerland, the Management estimates that the start-up costs (decoration costs and rent for the first year) for establishing a Powerland Store will amount to between approximately RMB 3 million (EUR 344 thousand) to RMB 5 million (EUR 573 thousand) per self-operated store plus between approximately RMB 16 million (EUR 1,776 thousand) and RMB 28 million (EUR 3,108 thousand) per flagship store for acquiring the property for self-operated flagship stores depending on their location in Tier 1 or Tier 2 cities. In addition, Powerland intends to invest significantly in purchasing suitable locations for approximately 30 to 40 Powerland Stores out of approximately 70 Powerland Stores to be established by the end of 2013 which it intends to operate itself within the next three years. There can be no assurance that the opening of additional Powerland Stores will increase the demand for Powerland's products from the Luxury Segment to an extent that justifies the significant investment to be made, in particular the investment for the purchase of certain of the new Powerland Stores operated by itself. If this is the case, Powerland's investment into the expansion of its PRC retail sales network will have to be considered partially or entirely lost.

In addition, Powerland may not be in a position to expand its PRC retail sales network in line with its plans. There can be no assurance that Powerland will be able to find sufficient qualified distributors. As the Powerland Stores also serve as a brand building exercise, it is very important that the Powerland Stores are opened at appropriate locations, i.e. main shopping areas or airports of large business centres in the PRC. However, such top locations are rare and competition, in particular with international top brands, for such appropriate locations is intense. Competitors might have more financial resources or may be preferred by operators of shopping malls or landlords due to the reputation of their brands. Powerland may therefore be unable to find sufficient available locations to open enough Powerland Stores.

The occurrence of any of these risks could have a material adverse effect on Powerland's business, financial condition and results of operations.

Powerland's success depends on its collaboration with one independent design company in Italy.

Powerland depends on consistently obtaining new designs for its luxury leather products. Powerland's sole provider for the initial designs for its products from the Luxury Segment since the launch of this segment is an independent Italian design company. Powerland's contract with this independent design company is not exclusive and expires on 30 June 2016. Should the Italian design company, for whatever reason, not be willing or able to consistently provide Powerland with new designs, terminate the agreement, or do not render the required quantity or otherwise fail to comply with its contractual obligations Powerland may not be in a position to find a suitable replacement in time or at all. Even if such shortcomings constitute a breach of contract by the Italian design company, there can be no assurance that Powerland will be compensated for its losses by the Italian design company. As consumers in the market segment for luxury leather products like new products for every new season, this could result in a reduction of Powerland's sales of its luxury leather products and, thus, could have a material adverse effect on its business, financial condition and results of operations.

Powerland depends on the demand for consumer goods and, in particular, for luxury goods in China.

A significant portion of Powerland's revenues are generated by the sale of its products in the PRC market. This portion could even increase in the future, as it is part of Powerland's strategy to put particular emphasis on the marketing and distribution of its products from the Luxury Segment on the Chinese market. This strategy is based on the assumed growth of the Chinese market for luxury goods.

Powerland believes that sustained economic growth and increasing disposable income of Chinese consumers in the PRC are important reasons for rising domestic demand for luxury products such as handbags. In the years 2008, 2009 and 2010, the Chinese real gross domestic product increased by 9.6%, 9.1% and 10.1%, respectively *(Source: Global Insight)*. Accordingly, the disposable income of Chinese consumers, in particular of urban residents, increased significantly. There can be no assurance that this trend will continue. Should the Chinese real gross domestic product or the disposable income of Chinese consumers increase at slower rates or decrease in the future, the demand for luxury products in China, including Powerland's products from the Luxury Segment, could decrease significantly as this market segment is particularly vulnerable to economic downturns.

The PRC market for luxury goods (including handbags for women) grew significantly in recent years. There can be no assurance that this development will continue in the future. The sale of luxury products made from leather benefited from the fact that it is, unlike other luxury products such as high-end watches, valuable jewellery and yachts, not subject to a consumption tax in the PRC. The PRC government is currently considering introducing a consumption tax on all luxury goods in order to increase the tax burden of wealthy people as one measure against the social inequality currently prevailing in the PRC. Based on current product pricing, such an increase in tax would make Powerland's products in the Luxury Segment more expensive to Chinese consumers. This could lead to a decrease in sales volume or necessitate a decrease in the pre-tax sales prices of Powerland's products in the Luxury Segment. Both alternatives could lead to a decrease in Powerland's sales and profits.

A slower increase or a decrease in the demand for consumer goods and, in particular for luxury goods, could have a material adverse effect on Powerland's business, financial condition and results of operations.

Powerland operates in a highly competitive environment. Increased competition or the entry of new competitors may result in a decrease in revenues.

Competition in the Chinese and global markets for luxury leather bags and bags made of textile and/or synthetic leather is intense and Powerland expects this competition to continue to increase and intensify in the future.

Powerland's current competitors in the PRC market for luxury leather bags are mainly international and, to a lesser extent, domestic brands. In particular, Powerland's international competitors distribute their products under luxury brands that are internationally recognized and longer-standing than the Powerland brand. These competitors have a larger customer base and greater financial resources which allow them to compete aggressively in the PRC market, among other things, by making significant investments into marketing and brand building. In addition, the large international brands have direct access to the latest international design trends originating from London, New York, Milan and Paris and are even in a position to set or influence these trends. In addition, new PRC competitors, in particular current OEM producers, could access the market by launching new brands and capitalise on the fact that there are currently very few established PRC brands in the market for luxury leather bags. To remain competitive, Powerland must continue to invest significant resources in brand building and fostering. It is dependent on detecting consumer preferences, particularly those of Chinese consumers, the latest design trends and on developing products that reflect these preferences and trends. There can be no assurance that Powerland will have sufficient financial and other resources to achieve these aims and remain competitive. In addition, Chinese consumers currently have a tendency to prefer international over PRC luxury brands. There can be no assurance that the Powerland brand will not be perceived to be a PRC luxury brand and Chinese consumers will therefore prefer products of foreign luxury brands over Powerland's products.

Powerland currently has the advantage over its foreign competitors that imported leather handbags are subject to an import tariff of 10 %. There can be no assurance that this import tariff will be maintained in the future and that Powerland will keep this competitive advantage.

In the Casual Segment, Powerland does not place great emphasis on branding and therefore mainly competes on the basis of product quality and price. Price competition in the market for bags made of textile or synthetic leather for the mid to low-end market is very intense. In order to remain competitive, Powerland depends on constantly improving its productivity while maintaining product quality at a constantly high level. Powerland's competitors in this area include producers that produce on a larger scale than Powerland allowing them to make better use of economies of scale and that have greater financial resources enabling them to implement aggressive pricing policies over a long period of time. Powerland believes that the highly fragmented market for bags made of textile or synthetic leather for the mid to low-end market will enter into a phase of consolidation that will favour large scale producers and drive small scale producers out of business. There can be no assurance that Powerland's operations in the Casual Segment have or will have sufficient size to profit from this consolidation process and not be driven out of business. In addition, barriers to entry to the market for bags made of textile or synthetic leather for the mid to low-end market are relatively low for new competitors with sufficient financial resources to make the necessary investments in machinery and experienced personnel. New competitors could therefore enter the market at any time. There can be no assurance that Powerland will be able to continue to produce products of sufficient quality at competitive prices.

Increased competition or the entry of new competitors could result in a decrease in sales quantity and/or sales prices of Powerland's products, either of which could have a material adverse effect on Powerland's business, financial condition and results of operations.

Powerland depends on the development and market acceptance of new products and may not be able to effectively predict or react quickly to changing consumer preferences.

The markets in which Powerland competes are increasingly characterized by new trends, the frequent introduction of new products and enhancements and changing consumer preferences and demands. The Company believes that its future success will depend on Powerland's ability to continually develop and bring to market new products with high quality standards, innovative designs and other features in a timely manner.

Product cycles in the industry for luxury handbags are relatively short. For this reason, Powerland is required to continually invest significantly in research, development, design capacity and marketing in order to maintain or strengthen its market share and reputation. Powerland's products can only remain competitive if they continue to meet consumer preferences in terms of quality and design. Powerland might not be able to adapt to changing consumer preferences and offer attractive products on a timely basis. For the products in the Luxury Segment, the time span from commencing with the first design to the actual launch of the product is about 18 months. This increases the difficulties of designing a product that meets consumer preferences, as the designer needs to anticipate future trends and preferences very early. If Powerland does not anticipate or adequately respond to evolving market demands or does not meet changing consumer preferences, its ability to sell its products may be limited and the appeal of its brand may be reduced.

The materialisation of any of these risks could have a material adverse effect on Powerland's business, financial condition and results of operations.

Powerland may not be in a position to pass potential increases in the costs for the supply of raw materials, in particular leather, textile and synthetic leather, on to its customers.

The costs of the materials consumed, in particular leather, textile and synthetic leather, form the largest component of Powerland's cost of sales, accounting for 85 %, 46 % and 82 % of Powerland's total cost of sales in 2008, 2009 and 2010, respectively. The prices of leather, textile and synthetic leather may fluctuate due to changes in global supply and demand conditions. Any shortage in the supply of or increase in the demand for leather, textile or synthetic leather may lead to price increases.

In its supply agreements, Powerland generally fixes the purchase price for materials consumed for periods of one year. The prices for materials consumed can therefore vary significantly from one year to the next when a new framework supply agreement is concluded. In addition, although there is no legal requirement to do so, Powerland sometimes agrees to increases in the supply price in case of a significant increase in the market price of the underlying raw material during a year in line with respective business practice in China. Powerland has only purchased leather directly since the beginning of 2010. In 2010, Powerland's average purchase price for leather was relatively stable. While Powerland's average purchase price for oxford fabric as the main raw material for its products made of textile did not fluctuate significantly in the years 2008 and 2009, it increased by approximately 50 % at the beginning of 2010, when the previous year's supply agreement had expired. Powerland's average purchase price for synthetic leather (i. e. PU/PVC) remained relatively stable during the years 2008, 2009 and 2010.

Any increase in the prices of raw materials, in particular leather, textile and synthetic leather, which cannot be passed on to Powerland's customers could reduce Powerland's operating profit and, in turn, materially adversely affect its business, financial condition and results of operations.

Powerland depends on third party contract manufacturers in its Luxury Segment.

All of Powerland's products in the Luxury Segment are currently produced by OEMs. Powerland intends to establish an in-house production capacity for the products in the Luxury Segment. However, these are intended to cover only a small portion of the products in the Luxury Segment and the majority are still intended to be manufactured by third party contract manufacturers. Therefore, Powerland is dependent on the third party contract manufacturers producing the products in the Luxury Segment in the required quality and quantity in the required time. There can be no assurance that the third party contract manufacturers will be able to meet these requirements at all times or that Powerland will be in a position to replace a third party contract manufacturer that does not meet these requirements as quickly as necessary or at all. Although Powerland adopts substantial quality control measures including onsite inspections with regard to the third party manufacturers it engages, the monitoring of the product quality is not as close as it could be in the case of in-house production. Insufficient product quality that is not detected by Powerland's quality control department could damage the Powerland brand.

In addition, Powerland uses a rather broad base of OEMs. Powerland can therefore not exclude that other customers are of greater importance to an OEM than Powerland and that an OEM prefers such other customers over Powerland in case of conflicting additional production requests.

The realisation of the above mentioned risks could have a material adverse effect on Powerland's business, financial condition and results of operations.

Disruptions or delays in the supply of raw materials or finished goods by its suppliers to Powerland or in the delivery of its products by Powerland to its distributors and customers, could significantly increase Powerland's operating costs.

For its Luxury Segment, Powerland sources raw and processed leather and other components from suppliers that deliver these materials directly to the OEM that Powerland engages for the production of its products in the Luxury Segment. In addition, Powerland is supplied with textile and PU/PVC and other components for its non-leather products in its Casual Segment by a number of suppliers. If there is any disruption or delay in the delivery of raw materials or other components to Powerland or the OEM producing Powerland's products due to strikes, weather conditions or other reasons, Powerland may have to seek alternative suppliers at higher costs. In addition, for the same reasons as mentioned above, Powerland could be unable to deliver its products to its customers and distributors on time or at all. As a consequence, Powerland may have to resort to other more costly means of transporting finished goods to its customers to fulfil its customers' orders on time or to its distributors to have the new products in the Powerland Stores in time for the upcoming season. Such other means of transportation may not be available.

The materialisation of any of these risks could significantly increase Powerland's operating costs, lead to a decrease in its sales, impair its ability to fulfil sales orders or even lead to damage claims of customers against Powerland. This could have a material adverse effect on Powerland's business, financial condition and results of operations.

Powerland's operations and the implementation of its growth strategy are capital intensive and Powerland could fail to maintain sufficient working capital or be unable to secure additional financing.

Powerland's operations are capital intensive, as they require a significant amount of working capital for its business operations and up-front investments into marketing and distribution.

Powerland needs a significant amount of cash to fund the supplies of raw material and the production of its products. In addition, Powerland makes significant investments into marketing and intends to increase these investments in the future. These investments do not result in an immediate increase in operating cash flow but are rather intended to increase revenues over time through increasing awareness and improving perception of the Powerland brand.

In line with its growth strategy, Powerland intends to significantly increase its PRC retail sales network. To this end, Powerland intends to make significant investments (see: "*Risk Factors – Risks related to Powerland's Business – Powerland business and the successful implementation of its growth strategy depend on its existing PRC retail sales network of independent distributors and its successful future expansion*"). In addition, as Powerland grants its distributors and other customers payment terms of between 50 and 90 days, an increase in business activity also leads to an increase in required working capital.

If Powerland fails to maintain sufficient working capital through its sales activities and the timely collection of its account receivables or other means, it could be forced to cut back on the implementation of its growth strategy or abolish it entirely, be restrained from taking important marketing measures, reduce its sales activity or, ultimately, become illiquid. There can be no assurance that Powerland will be able to tap on additional sources of financing in such situations for the required amount, on acceptable terms or at all. Should Powerland be able to raise additional financing, this could lead to a dilution of the value of the shares (in case of equity or equity-linked financing) or to debt service obligations negatively affecting future profitability and to contractual undertakings limiting Powerland's operational and strategic flexibility and ability to pay dividends (in case of debt financing).

The occurrence of any of the aforementioned risks could have material adverse effects on the business, financial condition and results of operations of Powerland.

Powerland is exposed to fluctuations in foreign exchange rates.

The consolidated financial statements contained in this Prospectus are presented in EUR and Powerland's future consolidated financial statements will be presented in EUR, while Powerland's operating currency is RMB, which is currently not a freely convertible currency. During the years 2008, 2009 and 2010, the RMB gradually appreciated against the EUR. The average exchange rates with which the information relating to the income statements contained in the consolidated financial statements of Powerland Hong Kong for the years ended 31 December 2008, 2009 and 2010 were converted to Euro were EUR 0.098 per RMB, EUR 0.105 per RMB and EUR 0.111 per RMB for the years 2008, 2009 and 2010, respectively. A devaluation of the RMB against the EUR would have an adverse currency translation effect on the Company's consolidated financial statements.

As the value of the RMB is controlled by PRC authorities, foreign exchange policies of the PRC government have a significant impact on currency exchange rates. The PRC government is under constant political pressure from other governments, in particular the United States, to substantially appreciate the RMB against foreign currencies. The Chinese Central Bank recently announced plans to appreciate the value of the RMB as one countermeasure against inflation and a potential overheating of the Chinese economy.

Powerland Group currently does not enter into financial transactions to hedge against the aforementioned exposure to fluctuations in currency exchange rates. Therefore, fluctuations in currency exchange rates could have material adverse effects on the business, financial condition and results of operations of Powerland.

Powerland might not be able to adequately protect its know-how and its intellectual property rights could be infringed.

Powerland's business depends on the know-how of its key employees. To protect such know-how, Powerland has issued internal guidelines and has entered into employees' confidentiality and non-compete agreements with its management and design staff. There can however be no assurance that these measures will be sufficient to prevent its competitors from gaining access to Powerland's know-how, in particular as the production in the Luxury Segment is outsourced to OEMs. Moreover, key employees might move to competitors or form a competing company and use their know-how to compete with Powerland.

Powerland particularly depends on its trademarks. Powerland has registered trademarks for its Powerland brand in China and certain trademarks internationally via the World Intellectual Property Organisation ("**WIPO**") in Chile, Hong Kong, Korea and the USA. Effective trademark protection requires extensive controls and subsequent research. If Powerland does not identify the illegal use of its trademarks early enough or at all, or if Powerland is unsuccessful in taking court action to protect its trademarks rights, this could adversely affect Powerland's reputation and lead to a loss of profits. The infringement of intellectual property rights in China is particularly difficult to be demonstrated and proven. Powerland may find it necessary to enforce its intellectual property rights by taking legal action. Such processes can be time consuming, expensive and difficult, due to, inter alia, the procedural rules in China. If Powerland is unable to protect its intellectual property rights from misappropriation or infringement, the value of its products and its brand could be harmed.

The ability to legally protect product design in the PRC is very limited. Powerland generally does not register its product designs in the PRC or in other jurisdictions. Competitors are therefore free to copy Powerland's product designs. The sale of such copied products could lead to a decrease in the sale of Powerland's products.

A materialisation of any of the above risks may have a material adverse effect on Powerland's business, financial condition and results of operations.

Powerland might infringe upon third-party protected designs and other intellectual property rights.

There can be no assurance that Powerland's products do not or will not infringe upon the intellectual property rights of third parties. Powerland cannot guarantee that it does not and will not infringe third-party design patents or other intellectual property rights. With respect to the design of its products in the Luxury Segment, Powerland relies on the services of an external Italian design company. Powerland does not examine whether the designs created by the external Italian design company infringe third party intellectual property rights, in particular, legally protected designs, trademarks or patents of Powerland's competitors and instead relies on the quality control of the Italian design company. The exact determination of the scope of a patent, design patent, copyright or other intellectual property right can be very complex. Powerland and the Italian design company could therefore have difficulties in determining whether or not a design infringes a third party intellectual property right and become involved in intellectual property litigation. Intellectual property disputes, in particular patent disputes, may last a significant period of time and require considerable personnel and financial resources. If the outcome of such a legal dispute is adverse to Powerland, Powerland could be ordered to pay substantial license fees, royalties and/or damages. Any infringement of third-party patents or other intellectual property rights or any lawsuits relating hereto could have a material adverse effect on Powerland's business, financial condition and results of operations.

The success of Powerland's business depends on attracting and retaining key personnel.

The success of Powerland's business depends largely on its ability to attract and retain key personnel, in particular the Company's Management Board members. Powerland's success to date has been largely attributable to the efforts of its management team, in particular of Powerland's CEO, Mr. Shunyuan Guo who has more than 20 years' industry experience.

Powerland's future success also depends upon its ability to attract or retain the key personnel required for the implementation of its growth strategy or recruit suitable replacements for its key personnel if they were to leave Powerland. Key personnel might move to competitors or form a competing company and compete with Powerland for customers, business partners, and other key professionals at Powerland using their experience and expertise.

Not being able to attract sufficient key personnel or the loss of any of its existing key personnel without identifying an adequate replacement could have a material adverse effect on Powerland's business, financial condition and results of operations.

Powerland may face rising labour costs and shortages of skilled workers.

Powerland's business is labour intensive. In 2010, Powerland granted total employee benefits (salaries, social security contributions and other short term benefits) of EUR 5,375 thousand corresponding to approximately 5% of Powerland's revenues. In addition, Powerland recorded costs of EUR 5,670 thousand (or 5% of revenues) for contract manufacturing which are also influenced by the general level of labour costs in the PRC. In 2009, the average wage per capita of employees of private companies in the PRC increased by approximately 6.6% compared to 2008 *(Source: National Bureau of Statistics of China).* Powerland may need to increase the salaries of its employees in order to retain them. In the recent past, the scarcity of qualified personnel in China has led to a substantial increase in wages for such personnel. Further increases could lead to significantly higher labour costs for Powerland.

Powerland's future success also depends upon its ability to attract and retain qualified production staff. Powerland's production process is labour intensive and requires a large workforce, with a certain degree of training and/or experience in the leather processing industry. Competition for such personnel in the Guangdong and Fujian regions is intense and may further intensify in case of a further entry of competitors into the Chinese market for processed leather. In addition, the south-eastern coastal provinces of the PRC, such as Guangdong and Fujian, currently attract large numbers of migrant workers, many of whom are skilled workers. Such migrant workers usually stay with a company for one year from one Chinese Spring Festival to the next Chinese Spring Festival. Whether they will return to their previous employer after the Chinese Spring Festival depends on the working conditions in their home provinces and other provinces, and on the jobs offered by other companies located in the same province as Powerland. Currently, the south-eastern coastal economically developed areas, such as the Guangdong and Fujian province, still witness a net inflow of migrant workers. With an accelerated economic development of central and western provinces of the PRC, this may change in the future, which in turn may lead to a shortage of skilled migrant workers at Powerland's factories.

The realisation of any of these risks related to rising labour costs or shortages in skilled workers could have a material adverse effect on Powerland's business, financial condition and results of operations.

Powerland's operational and financial planning and management reporting systems may be inadequate and its management resources may be insufficient to successfully manage and support its future growth and to ensure accurate financial management.

Powerland plans to significantly expand its PRC retail distribution network, establish production lines for products from the Luxury Segment and increase its marketing, research and development activities and staffing. Powerland's ability to manage this growth depends on Powerland's administrative, financial and operational controlling and monitoring systems and on having sufficient management resources. Powerland's management information and financial reporting systems are less developed than those of companies that operate in more developed markets, and may not provide Powerland's management with as much or as accurate information as required, or not provide the required information in time. Moreover, the shortage of qualified management and accounting personnel in the PRC in general and in the Fujian and Guangdong regions in particular may hinder Powerland from building sufficient personnel resources to ensure accurate financial management.

Any inability to maintain operational and financial planning and management reporting systems, as well as any inability to hire further qualified personnel may hinder Powerland's future successful growth. This may have a material adverse effect on Powerland's business, financial condition and results of operations.

The Management Board of the Company is not experienced in complying with German legal requirements for listed companies and Powerland currently does not have a comprehensive risk management system in place.

Powerland has no experience in complying with German legal requirements for listed companies. None of the members of the Management Board of Powerland AG speak German. Powerland currently only has small legal, finance and accounting departments and is not used to dealing with increased legal, accounting, transparency and administrative requirements imposed on a publicly listed company in Germany. The obligation to comply with German corporate governance requirements and post-admission obligations, in particular requirements relating to the publication of ad-hoc information, quarterly reports as well as various other reporting, notification and publication obligations resulting from the Company's listing will put increased demands on Powerland's finance and accounting departments. In addition, the preparation of quarterly financial reports and annual consolidated financial statements under IFRS, which the Company will be required to produce after the listing of its shares on the Frankfurt Stock Exchange and the additional reporting requirements it will face as a public company may pose problems for Powerland's current financial reporting system. Powerland may not have an adequate number of management and accounting personnel sufficiently qualified to assist with the preparation of the IFRS financial statements, to install and operate adequate management reporting systems and to meet reporting requirements as a public company. In addition, Powerland does currently not operate a formalized risk reporting system and risk management system as may be customary in European or US listed companies, as such risk management systems are not standard in the PRC.

If Powerland fails to comply with its obligations as a public company or if any risks materialize which could have been prevented by a formalized risk management system, this could have a material adverse effect on the business, financial condition and results of operations of Powerland.

The Company's Supervisory Board may have difficulties in adequately supervising the Management Board, in particular as the non-German members of the Supervisory Board have only limited experience in fulfilling their obligations arising from the German Stock Corporation Act.

Powerland's assets are largely located in China and the members of the Company's Management Board reside in China. The Company is a holding company without any operational business of its own. The non-German members of the Supervisory Board *(Aufsichtsrat)* of Powerland AG ("**Supervisory Board**") have no experience in fulfilling their obligations arising from the German Stock Corporation Act *(Aktiengesetz)*. The members of the Supervisory Board residing outside of China may have difficulties in fulfilling their statutory supervisory duties vis-à-vis the management residing in China as a result of the physical distance to China and, with regard to the German members of the Supervisory Board, language barriers. In addition, the members of the Management Board have no experience with German corporate governance requirements and statutory reporting obligations. Any lack of supervision by the Company's Supervisory Board may have a material adverse effect on the business, financial condition, and results of operations of Powerland.

The Company's CEO, Mr. Shunyuan Guo, will still hold a significant portion of the share capital of the Company after the Offering, which will enable him to exercise significant control over the Company and could subject him to conflicts of interest.

Immediately upon closing of the Offering, assuming placement of all New Shares and all Existing Offer Shares, Powerland's CEO, Mr. Shunyuan Guo, will indirectly hold approximately 57.83% of the Company's share capital and voting rights (or approximately 52.33% of the Company's shares and voting rights, if the Greenshoe Option is fully exercised). Through his shareholdings, Mr. Guo will be in a position, irrespective of the voting behaviour of other shareholders, to exercise considerable influence at the Company's General Shareholders' Meetings, and consequently, over decisions regarding measures which are presented for a vote at the General Shareholders' Meetings (including the election of the members of the Supervisory Board and the approval of important capital measures). Mr. Guo's interests as major shareholder may conflict with his duties as CEO to act in the best interest of the Company and/or the interest of other shareholders and he could exercise his influence over the Company to the detriment of the Company and/or other shareholders, which could have a material adverse effect on the business, financial condition, and results of operations of Powerland.

The Company is a holding company whose liquidity depends upon having access to the liquid funds of its operating subsidiaries located in China.

The Company is a holding company without any operating business of its own. Powerland's operations are located in China. The Company's liquidity therefore partly depends upon having access to dividend distributions from its indirect PRC subsidiaries through the Company's direct subsidiary, which is a Hong Kong holding company. Current PRC regulations permit the payment of dividends only out of accumulated profits determined in accordance with Chinese accounting standards and regulations. In addition, the Company's PRC subsidiaries are required to set aside at least 10% of their after-tax profits each year to fund a statutory reserve fund until such reserves in aggregate reach 50% of their registered capital and may be required to set aside a portion of their profits to fund an employee welfare fund. These reserves are not distributable as cash dividends.

Under PRC foreign exchange rules and regulations, payments of current account items, including profit distributions and operating-related expenditures, may generally be made in foreign currencies without prior approval but are subject to procedural requirements. Strict foreign exchange controls generally apply to capital account transactions. These transactions must be approved by and/or registered with the State Administration of Foreign Exchange ("**SAFE**") or its local counterparts, and repayment of loan principal, distribution of return on direct capital investment and investments in negotiable instruments are also subject to restrictions.

There can be no assurance that Powerland will be able to meet all of its foreign currency obligations under PRC laws or to remit profits out of China. Should the Company's PRC subsidiaries be, or become, restricted and/or legally prohibited from and/or unable to pay dividends or other distributions outside of China, this could have material adverse effects on Powerland's business, financial condition, and results of operations.

Powerland does not have the insurance coverage that is customary in more economically developed countries for a business of Powerland's size.

Insurance companies in China do not normally offer as extensive insurance protection for businesses as insurance companies in more developed economies. For example, Powerland does not maintain insurance against business disruptions. A lack of insurance coverage may expose Powerland to substantial financial risks for which Powerland may not be adequately compensated. Powerland does not maintain separate funds or otherwise set aside reserves for these types of events. Any uninsured occurrence of loss or damage, litigation or business disruption may result in Powerland's incurring substantial costs and the diversion of resources, which could have material adverse effects on Powerland's business, financial performance and results of operations.

Powerland currently enjoys tax benefits in China which will be phased out over the coming years and lead to an increase in Powerland's income tax rate. Tax laws and regulations could change to the detriment of Powerland or its shareholders.

On 16 March 2007, China promulgated the new Enterprise Income Tax Law ("**EIT Law**"). Effective from 1 January 2008, the new EIT Law unifies the statutory enterprise income tax rate at 25% for both domestically-owned and foreign-invested enterprises.

As a manufacturing wholly foreign-owned enterprise ("**WFOE**") incorporated before 16 March 2007, both Powerland Fujian and Powerland Guangzhou can still be exempt from enterprise income tax for the first and second years starting with the year they begin to make a tax profit and be granted a 50% reduction on the statutory enterprise income tax rate in the subsequent three years.

Because the first tax-profitable year for Powerland Fujian and Powerland Guangzhou was 2006 and 2007, respectively, the so-called "tax holiday" for Powerland Fujian and Powerland Guangzhou began in 2006 and 2007, accordingly. Therefore, the income tax rate for Powerland Fujian was 12.5% in 2008, 2009 and 2010, and will be 25% in 2011 and onwards. The effective tax rate for Powerland Guangzhou was zero in 2008 and 12.5% in 2009 and 2010 and will be 12.5% in 2011 and 25% in 2012 and onwards.

The interpretation of applicable tax laws and regulations may be subject to changes in the future and may adversely affect Powerland's tax status and its results of operations. It is, for example, possible that a consumption tax on luxury goods, including leather handbags is introduced in the PRC (see: "*Risk Factors – Risks related to Powerland's business – Powerland depends on the demand for consumer goods and, in particular, for luxury goods in China*").

Any change in Powerland's tax status or in tax legislation or its interpretation could affect the value of the investments held by the Company, its ability to pay dividends to shareholders and/or change the after-tax returns to shareholders. Current tax rules and their interpretation with respect to an investment in Powerland could also be subject to adverse changes in the future. Statements in this Prospectus concerning the taxation of Powerland and the Company's shareholders are based on current tax laws and practices that are subject to change.

The occurrence of the above risks could have a material adverse effect on Powerland's business, financial condition and results of operations.

The Company and Powerland Hong Kong may be treated as tax resident enterprises for PRC tax purposes under the PRC enterprise income tax laws and therefore be subject to PRC taxation.

The EIT Law introduced the concept of tax resident enterprise ("**TRE**") defined as an enterprise which is established in the PRC under the PRC laws and regulations, or which has its de facto management body in the PRC. TREs are subject to the PRC enterprise income tax for their worldwide income, including income received from their subsidiaries. According to Article 4 of the Implementing Rules of the EIT Law (the "**Implementing Rules**"), "de facto management body" refers to the management body that exercises essential management and control over the enterprise. As a result, if a holding company located outside the PRC is actually managed by a management body in China, the overseas company will be regarded as a TRE and subject to enterprise income tax for its worldwide income. According to the interpretation of Article 4 of the Implementing Rules given by the Chinese State Administration of Taxation ("**SAT**") on its website, the location of the de facto management body shall be determined by a substance-over-style method. In particular, mere off-shore board meetings shall not be sufficient for the de facto management body being located outside of China. Dividends received by one TRE from another TRE (not listed in the Chinese stock market) are exempted from enterprise income tax.

Most of the members of Powerland's management are currently located in China and Powerland expects them to continue to be located in China. However, due to a lack of clear guidance on the criteria pursuant to which the PRC tax authorities will determine Powerland's tax residency under the EIT Law, it remains unclear whether the PRC tax authorities will treat the Company and Powerland Hong Kong as PRC tax resident enterprises.

Currently, neither the Company nor Powerland Hong Kong has notified the PRC tax authorities of its potential status as a PRC tax resident enterprise. However, if the Company and Powerland Hong Kong are deemed to be PRC tax resident enterprises, the following PRC tax implications will apply:

- The Company and Powerland Hong Kong might both be subject to an enterprise income tax at the rate of 25% on their worldwide income, which could have an impact on Powerland's effective tax rate and an adverse effect on Powerland's net income and result of operations. However, the EIT Law provides that dividend income between qualified tax resident enterprises is exempted income, which the Implementation Rules have clarified to mean a dividend derived by a tax resident enterprise on equity interest it directly owns in another resident enterprise. It is possible, therefore, that dividends the Company receives through Powerland Hong Kong from Powerland Fujian and Powerland Guangzhou would be exempted income under the EIT Law and its Implementation Rules. In this case, only the Company would be subject to an enterprise income tax in the PRC at the rate of 25% on its worldwide income except for dividends received from Powerland Hong Kong.
- If the Company is deemed to be a PRC tax resident enterprise, the Company would then be obliged under the PRC EIT Law to withhold PRC withholding tax on the gross amount of dividends the Company pays to shareholders who are non-PRC tax residents. The withholding tax rate is 10%, unless otherwise provided under the applicable double taxation treaties between China and other countries. Under the double taxation treaty betwen China and Germany, the same withholding tax rate of 10% for dividends applies. Under the PRC EIT Law, such withholding tax on dividends is to be deducted by the tax resident enterprise from the gross dividends and paid to the competent PRC tax authority on behalf of the non-PRC tax resident shareholders. As the Company has issued bearer shares, and no practical guidance has been issued by the SAT about the treatment of dividends paid by foreign entities considered TREs, the Company may not be able to ascertain whether or not its shareholders are non-PRC tax residents, and may not be able to fully comply with the withholding requirement in case it is considered a TRE, which subjects it to additional uncertainty.
- Further, if the Company is deemed to be a PRC tax resident enterprise, any gains realized on the transfer of shares in the Company by non-PRC resident investors will also be subject to a 10% (if the investor is a company) or 20% (if the investors is a natural person) PRC withholding tax, under the EIT Law or PRC Individual Income Tax Law, if such gains are then regarded as income derived from sources within China, unless the applicable double taxation treaty provides otherwise. In case the 10% or 20% PRC withholding tax respectively is payable for the gains, under PRC tax law, the non-PRC resident investors are obliged to declare such tax by themselves with the competent PRC tax authority.

If any of the aforementioned risks materializes, the value of an investment in the shares of the Company may be materially adversely affected.

Risks Related to the Political, Social and Legal Environment of the People's Republic of China

General risks relating to business operations in China which are generally subject to greater economical, political, and legal risks than operations in more developed economies.

The entire operational business of Powerland is conducted and revenues are generated in China. Accordingly, Powerland's business, financial condition, results of operations and prospects are affected significantly by the economic, political and legal environment and other developments in China. Investors should thus be aware that Powerland's operations are subject to greater risks than operations in more developed markets, including significant legal, economic and political risks. Moreover, emerging economies like China are subject to rapid change and the information set out herein may therefore become outdated quickly. Investments in emerging markets or in companies that operate in emerging markets are generally exposed to additional risks and are generally only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

The Chinese "Provisions on the Acquisition of Domestic Enterprises by Foreign Investors" (the "M&A Provisions") may have a material adverse effect on Powerland.

On 8 August 2006, six Chinese regulatory agencies, including the Ministry of Commerce ("**MOFCOM**") and the China Securities and Regulatory Commission ("**CSRC**"), promulgated the Provisions for the Acquisition of Domestic Enterprises by Foreign Investors ("**M&A Provisions**"), which came into effect on 8 September 2006 and were further amended by MOFCOM on 22 June 2009. The M&A Provisions provide, among others, that an offshore special purpose vehicle ("**SPV**") which is formed by Chinese legal entities and/or individuals for indirect overseas listings and that directly or indirectly controls Chinese companies must obtain the approval of the CSRC prior to the listing and trading of its shares on a foreign stock exchange. On 21 September 2006, the CSRC published on its official website a notice specifying the documents and materials required to be submitted to it by SPVs seeking CSRC approval of a foreign listing. A number of additional requirements must be fulfilled in the course of an initial public offering, the violation of which may lead to regulatory actions or other sanctions by the CSRC or other Chinese regulatory agencies. In addition to the provisions relating to foreign indirect listings, the M&A Provisions also stipulate that a domestic natural person or legal person must obtain approval from MOFCOM before acquiring an affiliated domestic company via a foreign company established or controlled by such domestic natural or legal person.

Powerland Fujian and Powerland Guangzhou were incorporated in 2003 and 2005 respectively as wholly foreign owned enterprises ("**WFOEs**") on the basis of the then-effective South African resident identity card held by Mr. Shunyuan Guo, a PRC passport holder being the sole shareholder of these two companies, with the approvals from relevant county level counterparts of MOFCOM. According to the confirmation letters issued by such local counterparts of MOFCOM in December 2010, Powerland Fujian and Powerland Guangzhou have been legally established as WFOEs by Mr. Shunyuan Guo on the basis of his South African resident identity card with appropriate governmental approvals. The registered capital of Powerland Fujian and Powerland Guangzhou have been fully paid by Mr. Shunyuan Guo in foreign currency. Neither the validity of governmental documents approving incorporation of Powerland Fujian and Powerland Guangzhou as WFOEs nor their legal status as WFOEs will be affected by the expiration of Mr. Shunyuan Guo's South African resident identity card in 2007.

In December 2010, as one step of Powerland's restructuring, Mr. Shunyuan Guo transferred 100% of his shares in both Powerland Fujian and Powerland Guangzhou to Powerland Hong Kong, which is wholly owned by him, with the approvals issued by the above-mentioned local counterparts of MOFCOM respectively in accordance with Provisions for the Alternation of Investor's Equity Interest in Foreign Invested Enterprises. Since the completion of such share transfers, Powerland Hong Kong owns 100% of the equity interest in both Powerland Fujian and Powerland Guangzhou.

The Company believes that the M&A Provisions do not apply to its restructuring procedures because both, Powerland Fujian and Powerland Guangzhou, had been incorporated as WFOEs by way of a foreign direct investment prior to the M&A Provisions having come into effect rather than through an acquisition of any PRC domestic enterprise by a foreign investor thereafter.

However, there can be no assurance that MOFCOM or CSRC will agree with this view. MOFCOM or CSRC may consider the foreign invested enterprise identity of Powerland Fujian or Powerland Guangzhou is not valid due to the PRC citizenship of Mr. Shunyuan Guo or the later expiration of his South African resident identity card, and accordingly consider such two companies as PRC domestically owned enterprises and may be further of the view that the transfers of shares to Powerland Hong Kong in December 2010 were acquisitions of two domestic enterprises by an offshore entity controlled by a PRC owner of such domestic enterprises, which require MOFCOM approval with respect to the share transfers to Powerland Hong Kong and CSRC approval with respect to the listing of shares of the Company under the M&A Provisions rather than approvals from county level counterparts of MOFCOM granted in accordance with Provisions for the Alternation of Investor's Equity Interest in Foreign Invested Enterprises.

It cannot be ruled out that the MOFCOM or the CSRC would ultimately refuse to grant such approval. If an approval is required from the MOFCOM or the CSRC and as long as such approval has not been granted, profits of Powerland Fujian and Powerland Guangzhou could be prevented from being distributed to its parent company and to the Company and/or loans could be prevented from being granted by the Company to Powerland Fujian and Powerland Guangzhou. Any of these consequences could have material adverse effects on the business, financial condition and results of operations of Powerland.

State Administration of Foreign Exchange (SAFE) regulations relating to offshore investments by PRC residents or passport holders may adversely affect Powerland's business operations and financing alternatives.

In October 2005, SAFE issued a regulation regarding offshore investments by PRC residents, known as SAFE Notice 75. It requires PRC residents to register with and receive approval from SAFE or its local counterparts in connection with certain offshore investment activities. In May 2007, SAFE issued Notice 106, which provides additional guidance as to registration requirements under SAFE Notice 75. Since certain of the Company's current direct or indirect shareholders are PRC residents, Powerland is affected by the registration requirements imposed by SAFE Notice 75. Further, under SAFE Notice 75, such shareholders will also be required to amend their SAFE registrations under certain circumstances, including upon any further transfer of equity interests as well as any material change in the capital of the offshore company. In addition, each of the Company's direct or indirect PRC shareholders is required to make additional amendments to its SAFE registration within 30 days of this Offering or if any other future changes in its holdings of the Company's shares are made. Mr. Shunyuan Guo has completed his initial SAFE registration in respect of his investment in Powerland Hong Kong with Fujian provincial SAFE. As per the direction of Putian city SAFE, Mr. Guo is required to amend his initial registration and Ms. Biyan Guo, Mr. Kefeng Chen and Mr. Yangjia Li are required to effect SAFE registrations in respect of their investment in the Company and the respective offshore holding companies through which they hold shares in the Company. There is no assurance that these registrations can be made in a timely manner. The failure or inability of any of the Company's current or future direct or indirect shareholders who are PRC residents, whose actions the Company does not control, to obtain any required approvals or to make any required registrations in a timely manner could subject the Company's direct or indirect PRC shareholders to future registration under SAFE Notice 75, subject Powerland to fines and legal sanctions, restrict the Company's intended investments in its PRC subsidiaries or limit Powerland's ability to make distributions or pay dividends and could thus have material adverse effects on the business, financial condition and results of operations of Powerland.

Powerland is subject to foreign exchange regulation in the PRC which limits its ability to fund its operations with foreign capital.

Powerland's operations in China are subject to foreign exchange regulation in the PRC and Powerland's PRC subsidiaries require approval if they intend to borrow funds from entities outside of China. In addition, Powerland's PRC subsidiaries need to obtain approval from or register with Chinese government agencies if they intend to secure financing through equity contributions by Powerland Hong Kong. In the event that Powerland cannot obtain necessary financing on reasonable terms, or at all, it may be forced to scale back its plans for future business expansion.

Furthermore, Powerland's subsidiaries in China are subject to certain restrictions on the amount of foreign debt they can borrow (see *"Risk Factors – Risks Related to the Political, Social and Legal Environment of the People's Republic of China – PRC regulations pertaining to loans and direct capital investments by offshore parent companies to PRC entities may delay or prevent Powerland from using the proceeds from this Offering")*.

The occurrence of any of the aforementioned risks could have a material adverse effect on the business, financial condition and results of operations of Powerland.

PRC regulations pertaining to loans and direct capital investments by offshore parent companies to PRC entities may delay or prevent Powerland from using the proceeds from this Offering.

In utilizing the proceeds from this Offering to finance Powerland's business, the Company, as a holding company, or Powerland Hong Kong may make loans or additional capital contributions to Powerland Fujian or Powerland Guangzhou which is a foreign-invested enterprise ("**FIE**") according to relevant approvals from local counterparts of MOFCOM. Any loans by an offshore parent company to a FIE established by it are subject to approvals and/or registration requirements and must be within the margin between the FIE's total investment amount and registered capital. Further, loans to FIEs have to be registered with SAFE or its local counterpart. In addition, if Powerland Hong Kong finances the operating entities of Powerland in China through additional capital contributions, the amount of these capital contributions must be approved by and registered with the competent government authorities. There can be no assurance that Powerland will be able to obtain these government registrations or approvals on a timely basis, if at all. If Powerland fails to receive such registrations or approvals, the ability to use the proceeds from this Offering and Powerland's ability to fund and expand the operational business in China could be adversely affected, which could have a material adverse effect on the business, financial condition and results of operations of Powerland.

Economic instability in China could adversely affect Powerland's business.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, the level of development, the growth rate, the control of foreign exchange, and the allocation of resources. In the past, Chinese economic reforms have in general led to increased economic growth. While the Chinese economy has thus grown significantly in the past 30 years, the growth has been uneven geographically among various sectors of the economy, and during different periods. There can be no assurance that the Chinese economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on Powerland's business. Possible risks for the Chinese economy include, among others, significant declines in gross domestic product, hyperinflation, an unstable currency, high government debt relative to gross domestic product, a weak banking system providing limited liquidity to domestic enterprises, rising unemployment due to further privatisation of state-owned enterprises and rising costs triggered by environmental damages – notably air pollution, soil erosion, and the steady fall of the water table. The occurrence of one or several of these risks could have material adverse effects on the business, financial condition and results of operations of Powerland.

A destabilisation of the political system could threaten China's economic liberalisation.

While the PRC economy has changed fundamentally from a centrally planned system to a more market-orientated economy over the last three decades, the political system in China still operates under communist control. Although political conditions in China seem to be generally stable, changes may occur in its political system which might affect the ownership or operation of Powerland's business, including, among others, changes in government as well as in legislative and regulatory regimes.

A material change in China's economic liberalisation triggered by political disruptions or by other means could impact the country's economic growth in general and Powerland's business in particular. Social instability could increase public support for renewed centralised authority, and nationalism or violence could lead to a tougher stance by the Chinese government on foreign investors operating in China or on foreign investment in general. Any such developments could have material adverse effects on the business, financial condition and results of operations of Powerland.

Health epidemics and outbreaks of contagious diseases, including avian influenza, severe acute respiratory syndrome (SARS) or swine flu, could materially and adversely affect the Chinese economy.

Powerland's business could be adversely affected by the effects of avian flu, SARS or other epidemics or outbreaks such as the swine flu. China reported a number of cases of SARS, a highly contagious form of atypical pneumonia, in 2003, which resulted in the closure by the PRC government of many businesses in May and June of 2003 to prevent the transmission of SARS. In recent years, there have been reports of occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. Any prolonged recurrence of avian flu, SARS or the prolonged onset of swine flu or other adverse public health developments in China may have a material adverse effect on Powerland's business operations. This could include illness and loss of its management and key employees, as well as temporary closure of its offices or adverse effects on its distribution network. Such losses would severely disrupt the Company's business operations. Powerland has not adopted any contingency plans to combat any future outbreak of avian flu, swine flue, SARS or any other epidemic.

Since all of Powerland's operations and the majority of its customers and suppliers are based in China, an outbreak of swine flu, avian flu, SARS or other contagious diseases in China, or in neighbouring countries, or the perception that such an outbreak could occur, as well as the measures taken by the governments of countries affected, could have material adverse effects on the business, financial condition and results of operations of Powerland.

The PRC legal system and national taxation laws contain inherent uncertainties and inconsistencies.

As most of Powerland's business is conducted in China, the majority of its operations are governed by PRC laws. China is still in the process of developing a comprehensive statutory framework, and its legal system is still considered to be underdeveloped in comparison with legal systems in most western countries. In particular, PRC foreign investment laws and company law as well as provisions for the protection of shareholders' rights and access to information are less developed and confer less protection than those applicable to companies incorporated in Germany or other member states of the European Economic Area ("**EEA**"). The following factors create uncertainty with respect to Powerland's business:

- inconsistencies between and among the constitution, national laws, government decrees as well as governmental, ministerial and local orders, decisions, resolutions and other acts;
- conflicting local, regional and national rules and regulations;
- inconsistent use of terms for different rules by different localities and governmental departments;
- lack of judicial and administrative guidance on interpreting legislation, in particular, tax legislation;
- absence of a solid system of checks and balances between the different parts of the government;
- relative inexperience of judges and courts in interpreting legislation;
- high degree of discretion on the part of governmental authorities, which can result in arbitrary actions such as suspension or termination of licenses or approvals, and relatively untested bankruptcy procedures that might be vulnerable to abuse; and
- differences in the application of norms between different local authorities.

Furthermore, many laws, regulations and legal requirements have only slowly been adopted by the central or local governments, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practices available for reference. Depending on the government agency or how an application or a case is presented to such agency, Powerland may receive less favourable interpretations of law than its competitors. In addition, any litigation in China may be protracted and result in substantial legal costs and diversion of resources and management attention. Similarly, legal uncertainty in China may limit the legal protection available to potential litigants.

In particular, the taxation of dividends distributed from Powerland Fujian and Powerland Guangzhou to Powerland Hong Kong is subject to uncertainties. Under previous PRC tax regulation, dividend payments from foreign invested enterprises ("**FIEs**") to their foreign shareholders were exempted from PRC withholding tax. However, pursuant to the Enterprise Income Tax Law, which came into effect on 1 January 2008, such payment is subject to a 10% withholding tax unless the country where the foreign shareholder is incorporated has concluded a tax treaty with China that provides for a lower withholding tax rate. According to Article 10 Subsection 2 of the Mainland-Hong Kong Double Taxation Arrangement (the "**DTA**"), if the beneficiary of dividends is a Hong Kong tax resident company which holds directly at least 25% equity interests in a tax resident enterprise in China, the dividends distributed by the tax resident enterprise in the mainland to its Hong Kong shareholder shall be subject to taxes in China at a rate not higher than 5%. Therefore, the dividend distributed by Powerland Fujian to Powerland Hong Kong may be subject to such DTT and therefore be subject to a withholding tax in China at a rate not higher than 5%. However, on 27 October 2009, the State Administration of Taxation has issued the Tax Circular Guoshuihan [2009] No. 601 to provide a better understanding of the term "beneficiary" for DTA purposes. According to the Circular, a „conduit company" shall not be regarded as a "beneficiary". A „conduit company" is defined as a company set up solely for the purpose of reducing tax and normally does not conduct any manufacturing, trading or management activities. If Powerland Hong Kong is considered a conduit company by the responsible tax authorities, there might be a risk that dividends distributed by Powerland Fujian or Powerland Guangzhou to Powerland Hong Kong may not be taxed at the lower withholding tax rate of 5% under the DTA but at a withholding tax rate of 10% under the EIT Law and its Implementing Rules.

The occurrence of one or several of these risks could have material adverse effects on the business, financial condition and results of operations of Powerland.

The judiciary's lack of independence and limited experience and the difficulty of enforcing court decisions and governmental discretion in enforcing court orders could prevent Powerland from obtaining effective remedies in a court proceeding.

China's judicial system may not be as independent or immune to economic, political and nationalistic influences as judicial systems in European jurisdictions. The court system in China is largely understaffed and under-funded. Since courts in China are financially dependent on the respective local governments, judges tend to favour the economic interests of the municipalities or provinces and the enterprises located there. The independence of judges is further undermined by the fact that Chinese judges are only appointed for a limited period of time and may be dismissed during their term of office. Many older judges have not had any prior legal education. Courts in China are often inexperienced in the area of business law. Not all PRC legislation and court decisions are readily available to the public or organised in a manner that facilitates understanding. Enforcement of court orders can, in practice, be very difficult in China. Additionally, court decisions are often used in furtherance of political and commercial aims. Powerland might be subjected to claims by competitors or other parties and may not be able to receive a fair hearing in the course of the respective trial or legal procedure. Judicial decisions in China can also be unpredictable and may not provide effective remedies. These uncertainties also extend to property rights. Expropriation or nationalisation of the Company's PRC subsidiaries, their assets or portions thereof, potentially without adequate compensation, could have material adverse effects on the business, financial condition and results of operations of Powerland.

There are difficulties in seeking recognition and enforcement of foreign judgments in China.

Powerland's assets are largely located in China and most of its management personnel and directors reside there. The Company is a holding company without any significant operational business of its own. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts of Germany or most other jurisdictions, including judgments obtained in relation to claims investors may make with regard to this Offering. As a result, it will be difficult or impossible for investors to affect service of process or enforce judgments from courts of other jurisdictions against Powerland or its assets, management personnel or directors in China.

Restrictions might be imposed on foreign investments in PRC companies.

As part of China's accession to the World Trade Organisation ("**WTO**") in 2001, China undertook to eliminate certain trade-related investment measures and to open up specified industry sectors that had previously been closed to foreign investment. Even though China has lived up to most of its WTO commitments, foreign investors still encounter barriers in practice as some of the newly enacted or modified laws and regulations are enforced in an inconsistent manner by different authorities. In addition, there is no guarantee that the Chinese government will not tighten its stance on foreign investors in other areas not covered by the WTO commitments and that control over companies operating in certain sectors considered to be politically sensitive will not change.

The MOFCOM and the National Development and Reform Commission ("**NDRC**") have issued the Foreign Investment Industry Guidance Catalogue (the "**Catalogue**") that divides certain investment projects into three categories: encouraged, restricted and prohibited, with industries and sectors that are not mentioned or listed deemed to be permitted. Based on the latest version of the Catalogue (effective as of 1 December 2007), none of the business activities of Powerland is mentioned or listed in the Catalogue and as such may be deemed to be permitted. The Catalogue is, however, regularly revised. Should Powerland's business activities be subject to foreign investment restrictions or prohibitions imposed by any future amendments to the Catalogue, this could have a material adverse effect on Powerland's business, financial condition and results of operations.

Changes in labour law and policy in the PRC could affect the results of operations.

On 29 June 2007, the Standing Committee of the People's Congress of the PRC adopted a new labour law namely, the Labour Contract Law of the PRC ("**Labour Law**"), which became effective on 1 January 2008. The Labour Law was to enhance rights for mainland workers, including open-ended work contracts and severance pay. The Labour Law requires new actions to be taken by employers to ensure the welfare of their employees. The Labour Law, inter alia, requires employers to provide written contracts to their workers, restricts the use of temporary labourers and makes it harder to lay off employees.

Under the "Interim Regulation on the Collection and Payment of Social Insurance Premiums", "Regulation on Labour Injury Insurance" and some local regulations on the maternity insurance, Powerland is required to make relevant contributions for the benefit of the employees.

However, there are no assurances that the PRC Government will not make any further amendments to the Labour Law and the insurance coverage issues which may affect Powerland's financial result. Further restrictions in the Labour Law and possible increases of social insurance contributions could materially adversely affect Powerland's business, financial condition and results of operations.

The accuracy of industry and statistical data included in the Prospectus may not be reliable.

Certain industry and statistical data included in this Prospectus has been derived from publicly available sources the reliability of which may vary. Such statistical data as well as other statistical and industry data used in this Prospectus and the source data on which such information is based may not have been extracted or derived from a source in a manner analogous to that used in other countries. Generally, third party information is more difficult to obtain in China as compared to some other countries with a higher transparency, in particular relating to specific industry related data such as the leather processing sector.

Due to the limited availability of public information about the luggage and bags industry in China, selected information relating to the Chinese luxury industry in general and the industry for luggage and bags in particular as well as statements made regarding Powerland's position in the industry base on Powerland's own assumptions and assessment. Industry publications, generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The market information has not been independently verified nor has there been any investigation of the validity of the methodology in producing such data.

Therefore, neither Powerland nor any other party providing such information can give any assurance that any such information is accurate or, in respect of projected data, that such projections have been based on correct information and assumptions or that they will prove to be accurate. Any such inaccuracies may provide investors with an incomplete overview of certain specific industry and statistical information in the Prospectus.

Risks Related to the Offering

Public trading in the Company's shares might not develop.

Prior to the Offering, there was no public trading in the Company's shares. The offer price for the shares will not necessarily provide any indication of the stock exchange price at which the shares will subsequently be traded on the Frankfurt Stock Exchange or any other exchange. No assurance can be given that liquid trading in the shares of the Company will develop after the Offering and that the stock exchange price will not fall below the offer price. The Company cannot forecast to what extent investors' interest in its shares will foster trading, nor whether a liquid trading market will develop. The stock exchange price of the Company's shares could become subject to greater volatility and consequently buy and sell orders might be executed less efficiently. Under certain circumstances, investors might not be able to sell their shares at the purchase price fixed for the Offering or at a higher stock exchange price, or might not be able to sell them at all.

A volatile stock exchange price for the shares might develop.

After the Offering, the stock exchange price of the Company's shares could fluctuate considerably, especially because of fluctuating actual or forecasted results, revised earnings outlooks, the failure to meet analysts' expectations, changed economic conditions in general, or other factors. The general volatility of stock exchange prices could also exert pressure on the stock exchange price of the Company's shares without any direct connection with Powerland's business, its financial condition or earnings position, or its business prospects. As the shares are growth stocks and are likely to be influenced from various developments in China, the Company's shares are particularly susceptible to fluctuations. In particular, in the following of the earthquake and tsunami that occurred in Japan on 11 March 2011 which caused atomic meltdowns at Japanese nuclear power plants, prices at the worldwide stock markets, including the Frankfurt Stock Exchange, have shown considerable volatility which may also affect the trading of shares in the Company after the Offering.

The sale of shares by the Existing Shareholders could affect the share price.

Immediately upon the closing of the Offering assuming placement of all New Shares and Existing Offer Shares, assuming placement of all New Shares and all Existing Offer Shares, the Existing Shareholders will hold approximately 63.33% of the share capital (or approximately 57.83% if the Greenshoe Option is fully exercised) and an equivalent percentage of the Company's voting rights. The Existing Shareholders have agreed with the Underwriters that, for the first twelve months after the listing of the shares of the Company on the Frankfurt Stock Exchange, they will not dispose of shares of the Company other than the Greenshoe Shares and shares purchased in the open market following the Offering. Guo GmbH & Co. KG has agreed for a further period of six months not to undertake any of the aforementioned transactions without the prior written consent of the Sole Global Coordinator. The Company cannot, however, give any assurance that the Existing Shareholders will always observe and comply with this undertaking and/or that the Underwriters will be in the position to enforce that market protection agreement.

There are risks for short sales before the delivery of the shares.

The underwriting agreement provides that the Underwriters may terminate the underwriting agreement under certain circumstances. If the underwriting agreement is terminated, the Offering will not take place. Investors who have engaged in so-called "short sales" will bear the risk of being unable to cover such short sales through the delivery of shares.

The Offering may not be implemented in full which may negatively affect the growth prospects of Powerland and/or the liquidity of the shares in the market.

This Offering relates to 6,325,000 ordinary bearer shares consisting of 5,000,000 New Shares, 500,000 Existing Offer Shares and 825,000 Greenshoe Shares. Thus, in case all of the 6,325,000 Offer Shares are allotted to investors, including all Greenshoe Shares in case of a full exercise of the Greenshoe Option, the Company's free float will amount to approximately 42.17% of its total share capital. However, the actual number of Offer Shares that will be allotted to investors, i.e. the placement volume, will be jointly determined by the Company and the Sole Global Coordinator based on the orders received using the order book prepared during the bookbuilding process, and will also depend on the offer price and certain allotment criteria. There is no guarantee that all of the Offer Shares will eventually be placed with investors. If the amount of New Shares placed with investors is significantly lower, resulting in lower net proceeds than envisaged, the Company may not be able to fund certain of the investments for which it intends to use the proceeds from this Offering in full or at all which may affect the Company's growth strategy. In addition, if the overall placement volume is significantly lower than the number of Offer Shares which form the subject matter of the Offering, the free float will be significantly lower than the percentage stated above, which may have a material adverse effect on the tradability of the shares and on the shareholder structure of the Company.

The materialisation of any of the above risks could have a material adverse effect on the value of the shares of the Company.

GENERAL INFORMATION

Responsibility for the Contents of the Prospectus

Powerland AG, Frankfurt, Germany, (the "**Company**" or "**Powerland AG**" and collectively with its direct and indirect subsidiaries "**Powerland**" or "**Powerland Group**"), Macquarie Capital (Europe) Limited, Frankfurt am Main, Germany, ("**Macquarie**" or the "**Sole Global Coordinator**") and Joh. Berenberg, Gossler & Co. KG, Hamburg ("**Berenberg**", Macquarie and Berenberg together the "**Joint Lead Managers**" or the "**Underwriters**"), assume responsibility for the contents of this prospectus (the "**Prospectus**") pursuant to Section 5, paragraph 4 of the German Securities Prospectus Act *(Wertpapierprospektgesetz)* and declare that, to their knowledge, the information contained in the Prospectus is correct and that no material facts have been omitted, and that they have exercised all reasonable care to ensure that, to their knowledge, the information contained in this Prospectus is correct and no facts have been omitted which could likely affect the statements made in this Prospectus.

Subject Matter of this Prospectus

For purposes of the Offering, this Prospectus relates to a total of 6,325,000 no par value ordinary bearer shares *(Inhaber-Stückaktien)* consisting of:

- 5,000,000 no par value ordinary bearer shares from the capital increase against cash contributions resolved by an extraordinary general meeting of shareholders held on 22 March 2011 (the "**New Shares**");
- 500,000 no par value ordinary bearer shares from the holdings of Guo GmbH & Co. KG, Westhafentower, Westhafenplatz 1, 60327 Frankfurt am Main, Germany (the "Selling Shareholder") (the "**Existing Offer Shares**"); and
- 825,000 no par value ordinary bearer shares from the holdings of the Selling Shareholder in connection with a potential over-allotment (the "**Greenshoe Shares**", and together with the Existing Offer Shares and the New Shares, the "**Offer Shares**").

The number of New Shares to be placed with investors is intended to be determined on 8 April 2011 and will be such number of shares as is necessary to provide the Company with gross proceeds of between EUR 80 million and EUR 90 million.

For purposes of admission to trading on the regulated Market *(Regulierter Markt)* of the Frankfurt Stock Exchange in the sub-sector of the regulated market with additional obligations arising from the listing (Prime Standard), this Prospectus relates to a total of up to 15,000,000 no par value ordinary bearer shares consisting of:

- the current share capital of 10,000,000 no par value ordinary bearer shares (the "**Existing Shares**"); and
- the New Shares.

Each of the shares has a notional amount of the share capital of EUR 1.00 and is vested with full dividend rights for the short financial year 2011.

Forward-Looking Statements

This Prospectus contains certain forward-looking statements, which relate to the business, the financial development, and the results of operations of Powerland as well as the business divisions in which Powerland operates. Forward-looking statements relate to future facts, events and other circumstances which are not historical facts.

In particular, this applies to statements containing information on future financial results, plans, and expectations regarding the business and management of Powerland, its growth and profitability, and general economic and regulatory conditions, and other factors affecting Powerland.

Forward-looking statements are based on current estimates and assumptions made by the Company to the best of its knowledge. Such forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors that could cause the actual financial condition and results of Powerland to differ materially from and fail to meet the expectations expressed or implied by such forward-looking statements. The business of Powerland is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. Accordingly, prospective investors are strongly advised to read the sections of the Prospectus, "*Summary*" "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry Overview*", "*Business*", "*Regulatory Environment*", and "*Recent Developments and Outlook*", which contain a detailed description of factors that have an impact on the business of Powerland and the market in which Powerland operates.

In light of these risks, uncertainties and assumptions, it is possible that the future events mentioned in this Prospectus may not occur, and that forward-looking estimates and forecasts derived from third-party studies reproduced in this Prospectus may prove to be inaccurate (see: "*General Information – Information Derived from Third Parties*"). Moreover, neither the Company nor the Underwriters assume any obligations, except as required by law, to update any forward-looking statements or to conform such forward-looking statements to future events or developments.

Information Derived from Third Parties

This Prospectus contains numerous references to data, statistical information, and studies prepared by third parties. In the preparation of this Prospectus, the following sources have been relied upon:

- Bain & Company/Fondazione Altagamma, "Global Luxury Goods Worldwide Market Study", 9th Edition, dated October 2010;
- Bain & Company, "Luxury Goods Worldwide Market Study", 8th Edition, dated October 2009;
- Bain & Company/Fondazione Altagamma, "China Luxury Market study 2010", dated November 2010;
- Bain & Company, "The race for "small" town China", dated 14 January 2009;
- Beijing Industry & Economy Research Institute, "2010–2015 Chinese Women Handbag Industry Market and Investment Research Analysis Report", dated April 2010, www.bjcyyjy.com;
- Capgemini/Merril Lynch, "Asia-Pacific Wealth Report 2010", dated 28 September 2010;
- Capgemini/Merril Lynch, "World Wealth Report 2010", dated 18 June 2010;
- China Leather Industry Association, www.chinaleather.org;
- China Customs Statistics, www.hktdc.com;
- Deutsche Bank AG/London, Global Markets Research, Consumer & Luxury Goods, "Luxury Goods – China & Japan Focus", dated September 2010;
- Global Insight, World Overview, Global Monthly Forecasts, dated January 2011;
- McKinsey & Company, Insights China, "The coming of age – China's new class of wealthy consumers", dated 2009;
- McKinsey Global Institute, "Preparing for China's urban billion", dated March 2009;
- McKinsey Global Institute, "From 'Made in China' to 'Sold in China': The rise of the Chinese urban consumer", dated November 2006;
- National Bureau of Statistics of China, www.stats.gov.cn;
- State Information Center, www.sic.gov.cn;
- The Boston Consulting Group ("**BCG**") Report, "The Keys to the Kingdom – Unlocking China's Consumer Power", dated March 2010;
- The World Bank Group, www.worldbank.org.

Information in this Prospectus that is sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Market studies are often based on information and assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. This Prospectus also contains estimates made by the Company relating to market data of third parties that are based on published market data or figures from publicly available sources. Neither the Company nor the Underwriters have independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, the Company and the Underwriters assume no responsibility and make no representation or warranty as to the accuracy of any information derived from information and studies of third parties included in this Prospectus.

Documents Available for Inspection

For the duration of the validity of this Prospectus, copies of the following documents will be available for inspection in printed form during regular business hours at the offices of the Company:

- the Company's Articles of Association *(Satzung)* and the rules of procedure *(Geschäftsordnung)* for the Management Board and Supervisory Board;
- the audited Consolidated Financial Statements under IFRS of Powerland Hong Kong, for the financial years 2008, 2009, and 2010;
- the opening balance sheet under German GAAP of the Company as at 14 March 2011.

Future annual reports and interim reports of the Company will be available at its offices.

Notes Regarding Financial and Currency Data

Certain numerical data (including certain percentage rates) are subject to rounding adjustments that were carried out according to established commercial standards. As a result, the aggregate amounts in this Prospectus may not correspond in all cases to the individual amounts contained in the underlying sources. Figures stated in tables may not exactly add up to the total values that may also be stated in these tables. Percentage rates quoted in the Prospectus were, however, calculated on the basis of actual values rather than rounded values. Accordingly, percentages quoted in the Prospectus may in some cases differ from percentage rates based on the rounded values. Some figures (including percentages) in this Prospectus have been rounded to the nearest whole number. As a result, figures in tables so rounded may in some cases not add up to the exact totals shown in the tables. Percentages quoted in the text were, however, calculated on the basis of actual values rather than the rounded values. Accordingly, percentages quoted in the text may in some cases differ from percentages based on the rounded values.

The operating currency of Powerland is Renminbi ("**RMB**") whereas the Consolidated Financial Statements and the Interim Financial Statements of Powerland Hong Kong and the opening balance sheet of the Company are in EUR. The RMB financial data has been translated into EUR using the following exchange rates:

	2010	2009	2008
	EUR per RMB 1.00	**EUR per RMB 1.00**	**EUR per RMB 1.00**
End of period	0.1145	0.1023	0.1041
Average	0.1113	0.1051	0.0982

Accordingly, the presentation of the financial statements in Euro for the periods under review is not fully comparable to each other because different RMB/EUR exchange rates were used for each period under review.

All information with respect to currencies in this Prospectus, to the extent not otherwise indicated, refers to EUR. For the translation of RMB amounts which are not related to the Consolidated Financial Statements of Powerland Hong Kong, the exchange rate of EUR 0.1145 per RMB 1.00 as at 31 December 2010 has been used. Amounts used in industry reports may have been based on different exchange rates. Amounts denominated in other currencies are expressly identified as such with the corresponding currency designation or currency symbol.

Auditors

The Consolidated Financial Statements of Powerland Hong Kong as at and for the years ended 31 December 2008, 31 December 2009, and 31 December 2010 under IFRS, and the Company's opening balance sheet under German GAAP have been audited by BDO AG Wirtschaftsprüfungsgesellschaft, Ferdinandstraße 59, 20095 Hamburg, Germany ("**BDO**"), independent accountants, as stated in their reports appearing elsewhere herein and each are accompanied by an unqualified auditor's report, copies of which are included in this Prospectus. BDO is a member of the German Chamber of Public Accountants *(Wirtschaftsprüferkammer)*.

THE OFFERING

Subject Matter of the Offering

The Offering consists of a public offering in Germany and Luxembourg and private placements to institutional investors outside Germany, Luxembourg, and the United States.

The Offering consists of 6,325,000 no par value ordinary bearer shares *(Inhaber-Stückaktien)* of Powerland AG, each having a notional amount of the share capital of EUR 1.00 and each vested with full dividend rights for the short financial year 2011, consisting of:

- 5,000,000 no par value ordinary bearer shares from the capital increase against cash contributions resolved by an extraordinary general meeting of shareholders held on 22 March 2011 (the "**New Shares**");
- 500,000 no par value ordinary bearer shares from the holdings of the Selling Shareholder (the "**Existing Offer Shares**"); and
- 825,000 no par value ordinary bearer shares from the holdings of the Selling Shareholder in connection with a potential over-allotment (the "**Greenshoe Shares**", and together with the New Shares and the Existing Offer Shares, the "**Offer Shares**").

The number of New Shares to be placed with investors is intended to be determined on 8 April 2011 and will be such number of shares as is necessary to provide the Company with gross proceeds of between EUR 80 million and EUR 90 million.

The nominal value of the shares that are the subject of this Offering represents a total of EUR 6,325,000 of the share capital. Upon implementation and registration of the capital increase for the issuance of the New Shares and assuming placement of all New Shares, the share capital will amount to EUR 15,000,000. In connection with the Offering, 42% of the shares of the Company (including 825,000 shares available for an over-allotment) will be offered. The actual number of Offer Shares is expected to be published on 8 April 2011 by means of an ad-hoc notice on an electronic information system and on the Company's website and, no earlier than 9 April 2011, by an announcement in the *Frankfurter Allgemeine Zeitung.*

In connection with the Offering, the Company will receive the net proceeds from the sale of the New Shares, the Selling Shareholder will receive the net proceeds from the sale of the Existing Offer Shares and the Greenshoe Shares, if any.

Macquarie Capital (Europe) Limited is the Sole Global Coordinator and Lead Manager. Joh. Berenberg, Gossler & Co. KG is Joint Lead Manager.

Timetable for the Offering

The scheduled timetable for the Offering is as follows:

23 March 2011	Approval of the Prospectus by BaFin and notification of the Prospectus to the CSSF
	Publication of the Prospectus on the website of Powerland AG
31 March 2011	Publication of the price range and offer period in the form of an ad-hoc notice as well as a supplement to the Prospectus *(Nachtrag)* on the website of Powerland AG (www.powerland.ag) immediately following approval of the respective supplement to the Prospectus by BaFin and notification to the CSSF
	Commencement of the offer period
7 April 2011	End of the offer period for retail investors at 12:00 noon (Central European Summer Time) and for institutional investors at 6 p.m. (Central European Summer Time)

8 April 2011	Determination of the offer price and allotment; publication of the offer price, the offer volume and the allotment criteria in the form of an ad-hoc notice
	Subscription of the New Shares
	Registration of the implementation of the capital increase with the commercial register, issuance of the certificate evidencing the New Shares and listing approval issued by the Frankfurt Stock Exchange
9 April 2011	Publication of the offer price in *Frankfurter Allgemeine Zeitung*
11 April 2011	Commencement of trading of the shares
12 April 2011	Book-entry delivery of Offer Shares against payment of the offer price

On the date of its approval, the Prospectus will be published on the Company's website (www.powerland.ag), and is also available in printed form free of charge during regular business hours from the Company, and the Sole Global Coordinator.

Price Range, Offer Period, Offer Price, and Allotment

The price range within which purchase orders may be placed will be published together with specific dates for the beginning and end of the offer period prior to the start of the offer period as an ad-hoc notice via an electronic information system and, upon approval by the German Federal Financial Supervisory Authority ("**BaFin**") in the form of a supplement *(Nachtrag)* to the Prospectus on the website of the Company (www.powerland.ag). In addition, the supplement will be available free of charge during regular business hours in printed form from the Company, and the Sole Global Coordinator. The number of New Shares to be placed with investors is intended to be be determined on 8 April 2011 and will be such number of shares as is necessary to provide the Company with gross proceeds of between EUR 80 million and EUR 90 million. The Offering will be denominated in Euros.

The offer period, within which investors will have the possibility to place purchase orders for the Offer Shares, is expected to begin on 31 March 2011 and is expected to end on 7 April 2011. The beginning and end of the offer period together with the price range will be published, among other items, in the form of a supplement *(Nachtrag)* to the Prospectus. Interested investors are asked to pay attention to the announcements published in the media for further details of the Offering (including a potential earlier ending of the offer period). During the offer period, offers to purchase shares may be submitted by retail investors at the branch offices of the Sole Global Coordinator and the other syndicate banks as well as selling agents. On the last day of the offer period, retail investors will be able to submit offers to purchase Offer Shares until 12:00 noon and institutional investors until 6:00 p.m. (Central European Time). The Company and the Underwriters expressly reserve the right to close the order book prior to 7 April 2011 and announce an early end of the offer period.

The Company, together with the Sole Global Coordinator, reserves the right to decrease the number of Offer Shares, to increase or decrease the upper limit and/or lower limit of the price range, and/or to extend or shorten the offer period. If any of the terms of the offer are modified, the change will be published by means of an announcement through electronic information services such as Reuters or Bloomberg and on the Company's website (www.powerland.ag) and to the extent required under the German Securities Trading Act *(Wertpapierhandelsgesetz),* and/or the German Securities Prospectus Act *(Wertpapierprospektgesetz)* as an ad-hoc notice and/or a supplement *(Nachtrag)* to the Prospectus. Investors who have submitted purchase offers will not be notified individually. Any changes to the number of Offer Shares or the price range or any extension or shortening of the offer period will not nullify purchase orders that have already been placed. Investors who have already placed purchase orders prior to the publication of a supplement will have the right provided under the German Securities Prospectus Act *(Wertpapierprospektgesetz)* to withdraw from these purchase orders within two business days following publication of the supplement. Instead of withdrawing their purchase orders, investors may also amend these purchase orders submitted prior to publication of the supplement *(Nachtrag)* or place new limited or unlimited purchase orders within two business days after publication of the supplement *(Nachtrag)*.

Once the offer period has expired, it is expected that the Company and the Sole Global Coordinator will jointly determine the offer price on 8 April 2011 using the order book prepared during the bookbuilding process. The basis for the bookbuilding process will be the price range, which will be published prior to the start of the offer period in the form of a supplement *(Nachtrag)* to the Prospectus. The determination of the offer price will depend on the purchase offers for the shares submitted by investors during the offer period and collected in the above-mentioned order book. The placement price will be determined on the basis of the purchase orders submitted by investors. These orders will be assessed on the basis of the price per share offered by the investor and his expected investment horizons. This method of determining the offer price primarily aims at maximizing the proceeds from the Offering. Consideration will also be given to whether the offer price and the number of shares to be placed allow for the reasonable expectation that, given the total demand for the Company's shares, the share price will demonstrate steady performance in the aftermarket. Attention will therefore also be paid to the composition of the group of shareholders in the Company that would result from setting the offer price at a certain price, and the expected behaviour of such group of investors after the implementation of the Offering.

Purchase orders are freely revocable until the end of the offer period.

Once the offer price has been determined, the Offer Shares will then be allotted to investors based on the orders submitted. The offer price is expected to be published on 8 April 2011 by means of an ad-hoc notice on an electronic information system and on the Company's website and, no earlier than the following business day (including Saturdays), expected to be 9 April 2011, by an announcement in the *Frankfurter Allgemeine Zeitung.* Investors who have submitted purchase orders with the Sole Global Coordinator will be able to obtain information from the Sole Global Coordinator with respect to the offer price and the number of shares allotted to them beginning no earlier than the banking day following the determination of the offer price, and trading of the shares may not begin before allotment. Multiple subscriptions are not permissible. Particularly in the event that the placement volume proves to be insufficient to satisfy all orders placed at the offer price, the Underwriters reserve the right not to accept purchase orders, in whole or in part.

General Allotment Criteria

No agreements exist between the Company, the Selling Shareholder and the Underwriters as to the allotment procedure prior to the commencement of the offer period. The Company, the Selling Shareholder and the Underwriters intend to comply with the "Principles for the Allotment of Share Issues to Private Investors" ("*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*"), which were issued on 7 June 2000 by the Exchange Expert Commission *(Börsensachverständigenkommission)* of the German Federal Ministry of Finance *(Bundesministerium der Finanzen)*. After the offer period has ended, the Company, the Selling Shareholder and the Underwriters will determine and publish the details of the allotment method in accordance with the "Principles for the Allotment of Share Issues to Private Investors".

Delivery and Settlement of the Offer Shares

Book-entry delivery of the allotted Offer Shares against payment of the offer price and the customary securities commission is expected to take place one banking day following commencement of trading of the shares. The shares will be made available to shareholders as co-ownership interests in the respective global certificate.

At the investor's option, shares purchased pursuant to this Offering will be credited to a securities deposit account maintained by a German bank at Clearstream Banking AG, Neue Börsenstraße 1, in 60485 Frankfurt am Main, Germany for the account of such investor or to the securities deposit account of a participant at Euroclear Bank S.A./N.V., 1, Boulevard Roi Albert II, 1120 Brussels, Belgium, as operator of the Euroclear Systems, or Clearstream Banking S.A., L-2967 Luxembourg.

Stabilisation Measures, Over-Allotments and Greenshoe Option

In connection with the placement of the Offer Shares, the Sole Global Coordinator or persons acting on its behalf will act as stabilisation manager in connection with the Offering, and may take measures aimed at supporting the stock exchange or market price of the Company's shares in order to offset any sales pressure that may exist (so-called stabilisation measures).

A stabilisation manager is under no obligation to take stabilisation measures. Therefore, there is no guarantee that any such stabilisation measures will be effected. If stabilisation measures are taken, they may be terminated at any time without prior notice. Such measures may be taken beginning as of the date of listing of the shares on the regulated market *(Regulierter Markt)* of the Frankfurt Stock Exchange and must be completed no later than the 30th calendar day after such date (so-called stabilisation period).

Stabilisation measures may lead to the stock exchange or market price of the Company's shares being higher than they would have been in the absence of such measures. In addition, such measures may result in a stock exchange or market price at a level that is not sustainable.

With regard to potential stabilisation measures, investors may be allotted up to 825,000 additional shares of the Company in addition to the New Shares and Existing Offer Shares (so-called over-allotment) (the "**Greenshoe Shares**"). The Greenshoe Shares will be made available by the Selling Shareholder to the Sole Global Coordinator by way of a securities loan. The Selling Shareholder has also granted the Sole Global Coordinator the option of purchasing all or some of the Greenshoe Shares at the offer price, less agreed commissions (the "**Greenshoe Option**"). This option will expire 30 calendar days following the date of commencement of trading of the shares.

Within one week after the end of the stabilisation period, information will be announced in the *Frankfurter Allgemeine Zeitung* and on the Company's website at (www.powerland.ag) as to whether a stabilisation measure was taken or not, the date on which such stabilisation measure was commenced, the date on which the last stabilisation transaction was taken, and the price range within which such stabilisation was effected for each date on which a stabilisation measure was effected. The exercise of the Greenshoe Option, the date of such exercise and the number and type of shares involved will also be published without delay *(unverzüglich)* in the manner described above for the publication of information regarding the implementation of stabilisation measures following the end of the stabilisation period.

Greenshoe Shares

825,000 Greenshoe Shares will be made available by the Selling Shareholder under a securities loan. The Selling Shareholder has also granted the Greenshoe Option.

General and Specific Information on the Shares

Voting Rights

Each share confers one vote at the General Shareholders' Meeting *(Hauptversammlung)* of the Company. There are no limitations to the voting rights. Existing Shareholders of the Company do not have different voting rights.

Dividend Entitlement

The shares are vested with full dividend rights for the short financial year *(Rumpfgeschäftsjahr)* 2011.

Form and Certification of Shares

According to the Company's Articles of Association *(Satzung)*, all shares have been and will be issued as no par value ordinary bearer shares *(Inhaber-Stückaktien)*. The Existing Shares are represented by one or several global share certificates without dividend coupons, which are deposited with Clearstream Banking AG, Frankfurt am Main, Germany. The New Shares will be represented by an additional global share certificate, which will also be deposited with Clearstream Banking AG. The Company's Articles of Association exclude the rights of shareholders to receive individual share certificates for their shares to the extent permitted by law and unless required by the rules of stock exchanges to which the shares are admitted. The Company may issue share certificates that represent one share (so-called individual certificates) *(Einzelurkunden)* or several shares (so-called global certificates) *(Globalurkunden)*. The shares which are the subject of the Offering provide holders thereof with the same rights as all other shares and do not entitle holders to any rights or advantages in excess thereof.

German Securities Code (WKN)/Ticker Symbol/Common Code

German Securities Identification Number (WKN):	PLD555
International Securities Identification Number (ISIN):	DE000PLD5558
Ticker Symbol:	1PL

Transferability, Lock-up

The shares are freely transferable in accordance with legal requirements for bearer shares. Except for the restrictions set forth under "*Market Protection Agreement/Selling Restrictions (Lock-Up)*", there are no prohibitions with respect to the disposal or the transferability of the shares.

Market Protection Agreement/Selling Restrictions (Lock-up)

The Company has agreed with the Underwriters that, for the first six months after the shares have been listed on the Frankfurt Stock Exchange, it will not

- announce or implement any capital increase from authorised capital *(genehmigtes Kapital)*,
- propose a resolution for any capital increase at the General Shareholders' Meeting *(Hauptversammlung)*,
- (a) directly or indirectly issue, purchase, sell, offer, undertake to sell, promote, otherwise issue or announce an offer in relation to shares or other securities of the Company which are convertible or exchangeable into shares of the Company or grant an option to purchase shares of the Company, (b) enter into or execute transactions (including derivatives transactions) that are economically equivalent to the purchase or sale of the shares of the Company, or (c) directly or indirectly cause or approve transactions within the meaning of the foregoing provisions (a) and/or (b).

Furthermore, the Company has agreed for a further period of six months not to undertake any of the aforementioned transactions without the prior written consent of the Sole Global Coordinator.

The Existing Shareholders have agreed with the Underwriters that, for the first twelve months after the listing of the shares of the Company on the Frankfurt Stock Exchange they will not:

- offer, pledge, allot, sell, contract or agree to sell or to contribute or to otherwise transfer, enter into share pooling arrangements relating to the shares or otherwise act in concert with another shareholder of the Company, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the Company or any securities convertible into or exercisable or exchangeable for shares of the Company;
- enter into any swap or other arrangement that transfers to another party, in whole or in part, the economic risk of ownership of shares of the Company, whether any such transaction described in

the clauses above is to be settled by delivery of shares of the Company or such other securities, in cash or otherwise;

- make any demand for or exercise any right with respect to the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company; or
- propose any increase in the share capital of the Company, vote in favour of such a proposed increase or otherwise, support any capital increase proposed with respect to the Company without the written consent of the Sole Global Coordinator.

Furthermore, the Selling Shareholder has agreed for a further period of six months not to undertake any of the aforementioned transactions without the prior written consent of the Sole Global Coordinator.

These restrictions do not apply to the sale of the Offer Shares, to stock options issued by the Company in connection with its employee stock options programme and to shares purchased in the open market.

Admission for Trading and Listing of Shares

An application for admission of all of the shares of the Company – including the New Shares – to trading on the regulated market *(Regulierter Markt)* (Prime Standard) of the Frankfurt Stock Exchange is expected to be filed on 24 March 2011 and admission is expected to be granted one business day after the expiration of the offer period at the earliest. Commencement of trading is expected to take place on the first trading day following the day of admission.

Designated Sponsor

Macquarie will assume the function of designated sponsor of the Company's shares traded on the Frankfurt Stock Exchange and has designated equinet Bank AG to perform its functions. Pursuant to the designated sponsor agreement between Macquarie and the Company, Macquarie may, through equinet Bank AG or another designated sponsor, among other things, place limited buy or sell orders for shares of the Company in the electronic trading system of the Frankfurt Stock Exchange during daily trading hours. This is expected to improve liquidity of trading for the shares of the Company.

REASONS FOR THE OFFERING, USE OF PROCEEDS, COSTS AND INTERESTS OF THIRD PARTIES INVOLVED IN THE OFFERING

Reasons for the Offering

Powerland's reasons for this Offering are to increase the awareness of its brand and to use the proceeds from the capital increase to pursue its further growth, in particular, to expand its value chain and production capacity, to expand its distribution channels, and to strengthen its research and development capabilities as well as marketing activities.

Use of Proceeds and Costs

Powerland will receive the net proceeds from the Offering, i. e., the gross proceeds from the sale of the New Shares less commissions paid by Powerland to the Underwriters and its costs. As the gross proceeds as well as the costs of the Offering depend on the total number of shares placed and the offer price, Powerland cannot reliably predict the gross proceeds from the Offering, the costs of the Offering or the net proceeds at this stage. The Company aims to obtain gross proceeds of between EUR 80 million and EUR 90 million and intends to determine the number of New Shares to be placed with investors accordingly.

Subject to the uncertainty associated with such estimate and stemming from numerous relevant factors which may exercise an influence but cannot be foreseen at the present time, Powerland believes, assuming that all of the Offered Shares are placed (including the Greenshoe Shares), that total gross proceeds from the Offering of between approximately EUR 101 million and approximately EUR 118 million are attainable. A more reliable prediction can be made at the earliest upon determination of the price range. The determination of the price range depends on how the expected valuation of the shares develops during the marketing phase and what indications resulting from these discussions are given to Powerland and the Sole Global Coordinator, who will jointly determine the price range. In addition, the market environment and the assessment of the market in which Powerland operates will also be decisive in determining the price range.

Subject to the above uncertainties, Powerland believes that, assuming the placement of all Greenshoe Shares, the total costs of the Offering will amount to between EUR 8.4 million and EUR 9.4 million, of which between EUR 7.4 million and EUR 7.9 million are expected to be incurred by Powerland and the remaining costs to be incurred by the Selling Shareholder. The Company expects the Underwriters' commission to amount to between EUR 4.3 thousand and EUR 4.8 thousand. Powerland will publish a more precise estimate of the total costs of the Offering (including commissions of the Underwriters) in a supplement *(Nachtrag)* to the Prospectus in which the price range will be published.

Powerland believes that, assuming the placement of all Greenshoe Shares, the net total proceeds of the Offering between EUR 92.6 million to EUR 108.6 million are possible, of which between EUR 72.6 million and EUR 82.1 million would be received by Powerland from the sale of the New Shares. The Selling Shareholder will receive all of the offer proceeds from the sale of the Existing Offer Shares (less commissions and costs). The Selling Shareholder will receive all of the offer proceeds from, if any, the sale of the Greenshoe Shares (less commissions and costs).

The Company plans to use the net proceeds that it will receive from the sale of the New Shares to finance the further expansion of Powerland's business. In particular, Powerland plans:

- to use approximately 70 % of the net proceeds from the sale of the New Shares for the expansion of the sales network, including the distribution of its products from the Luxury Segment by opening and operating approximately 70 self-operated stores by the end of 2013. This includes approximately 50 self-operated flagship stores and other stores at top locations, and approximately 20 stores at airports. These stores will be operated by Powerland directly. Powerland intends to purchase the business premises of approximately half of these newly opened stores and to rent premises for the remaining new self-operated stores;

- to use approximately 12 % of the net proceeds from the sale of the New Shares to increase Powerland's brand awareness through marketing activities, to establish in-house production capacity for products from the Luxury Segment and to further strengthen its in-house design team;
- to use approximately 18 % of the net proceeds from the sale of the New Shares for general corporate purposes (working capital, the repayment of short-term loans and the introduction of a reporting and sales and distribution information system).

Interests of Third Parties Involved in the Offering

The Selling Shareholder has an interest in the Offering because of the portion of the Offering proceeds they will receive.

Macquarie and Berenberg have entered into a contractual relationship with Powerland in connection with the implementation of the Offering. They have been mandated as Underwriters and will advise Powerland in connection with the implementation of the Offering and coordinate its structuring and execution and will purchase and sell the Offer Shares in accordance with the executed underwriting agreement. The compensation of the Underwriters is incentive-based and depends, among other factors, on the amount of the offer proceeds such that the Underwriters have an interest in the successful implementation of the Offering.

In connection with the Offering, the Underwriters and affiliated companies will be able to acquire Offer Shares for their own accounts and hold, purchase or sell Offer Shares for their own accounts and can also offer or sell these shares outside of the Offering. The Underwriters do not intend to disclose the scope of such investments or transactions to the extent that this is not legally required.

DIVIDEND POLICY AND EARNINGS PER SHARE

Dividend Rights and Dividend Policy

The shares of individual shareholders in the profit of the Company are determined in accordance with the number of shares they hold in the registered capital (Section 60, paragraph 1 of the German Stock Corporation Act).

The adoption of resolutions regarding the distribution of dividends on the Company's shares for a given financial year is the responsibility of the General Shareholders' Meeting *(Hauptversammlung)* held during the following financial year, which resolves on the utilisation of the Company's distributable profits on the basis of the non-binding proposal of the Management Board *(Vorstand)* and the Supervisory Board *(Aufsichtsrat)*. If the Existing Shareholders hold an effective or, depending on their presence at the General Shareholders' Meeting of the Company, a factual majority of the voting rights present or represented at the General Shareholders' Meeting, they may exercise further influence on the utilisation of the Company's profits and/or the dividends' policy (see: "*Risk Factors – Risks related to Powerland's Business – The Company's CEO, Mr. Shunyuan Guo, will also after the Offering indirectly still hold a significant portion of the share capital of the Company which enables him to exercise significant control over the Company and could subject him to conflicts of interest*").

Under German law a resolution concerning dividends and the utilisation of distributable profits may be adopted only on the basis of a balance sheet profit *(Bilanzgewinn)* shown in the Company's adopted annual individual financial statement *(festgestellter Jahresabschluss)* to be prepared in accordance with generally accepted German accounting principles, i. e. the accounting provisions of the German Commercial Code *(Handelsgesetzbuch/HGB)*. In determining the balance sheet profit available for distribution, the annual net income *(Jahresüberschuss)* or annual net loss *(Jahresfehlbetrag)* of the respective year must be adjusted for profits and losses carried forward from the previous year and for deposits into or withdrawals from reserves. Certain reserves are to be created by law and must be deducted, where applicable, when calculating the balance sheet profits available for distribution. In a resolution regarding the utilisation of balance sheet profits, the General Shareholders' Meeting can include further amounts in retained earnings or carry them forward as profit.

Dividends resolved at the General Shareholder's Meeting are payable on the first business day after such meeting, unless the dividend resolution provides otherwise. Dividend claims are subject to a three-year limitation period. Dividends which were not exercised by shareholders shall be retained by the Company. The Company's Management Board and Supervisory Board intend to propose a distribution of profits as dividends for fiscal year 2011 and following fiscal years in an amount corresponding to between 20 % and 40 % of the profit for the year according to the consolidated IFRS financial statements of the Company, if and to the extent the Company's (individual) annual financial statement accounts for a respective balance sheet profit. Such distribution will only be made if and to the extent it is covered by the annual net income which is shown in the respective Company's (individual) annual financial statement in accordance with HGB. The expenditures and costs of this Offering will have a one-time impact that will adversely effect the Company's results of operations in 2011.

Dividend income is subject to German dividend withholding tax *(Kapitalertragsteuer)* (see: "*Taxation in Germany – Taxation of Shareholders – Taxation of Dividends*").

Earnings per Share

The Company was founded by a notarised deed of formation (*Gründungsurkunde*) on 21 February 2011 and incorporated by registration in the commercial register of the local court of Frankfurt am Main on 14 March 2011 and therefore does not have a three-year financial history. On the basis of the audited consolidated financial statements under IFRS of Powerland Hong Kong of the financial years 2008, 2009 and 2010, the following summary shows the earnings of Powerland Hong Kong on a consolidated basis (rounded to two decimal points), the earnings per share, each in accordance with

IFRS and the distributed dividends as of and for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 on a consolidated basis.

	Financial Year ended 31 December		
	2008	**2009**	**2010**
Profit attributable to the equity holders of Powerland Hong Kong (in EUR thousand)	10,813	18,017	22,617
Assumed/actual number of shares on 31 December[(1)]	10,000	10,000	10,000
Earnings per share in EUR (undiluted)	1.08	1.80	2.26
Dividends per share in EUR	0.39	1.68	1.67

(1) As the consolidated financial statements under IFRS of Powerland Hong Kong for the financial years 2008, 2009 and 2010 have been prepared on the basis of merger accounting, the computation of earnings per share is based on the number of ordinary shares of Powerland Hong Kong of 10,000.

CAPITALISATION AND INDEBTEDNESS

The data presented in the following table shows the capitalisation of the Company as at 31 December 2010 on a consolidated basis as if it already had been incorporated and all interests in Powerland Hong Kong had already been held by the Company as at 31 December 2010. The data is taken and, as the case may be, derived from the consolidated financial statements under IFRS of Powerland Hong Kong for the financial years 2008, 2009 and 2010.

As a result of the net proceeds obtained in the Offering, Powerland's capitalisation will change following the Offering. As the net proceeds of the Company depend on the number of shares placed and the offer price, the amount of proceeds the Company will receive in the Offering can, at the earliest, be predicted once the price range has been determined. Details regarding the net proceeds and the potential effects thereof on the capitalisation of the Company will be published together with the supplement *(Nachtrag)* to the Prospectus announcing the price range.

	As at 31 December 2010 (unaudited)
	(EUR thousands)
Capitalisation	
Total Current Liabilities	**41,567**
thereof secured	7,380
thereof guaranteed	10,757
thereof unsecured/unguaranteed	23,430
Total Non Current Liabilities	**3,729**
thereof secured	3,729
thereof guaranteed	3,729
thereof unsecured/unguaranteed	0
Total Equity	27,205
thereof Share Capital	10,000
thereof Reserves(1)	17,205
Total Equity and Liabilities	**72,501**
Indebtedness	
Liquidity	**15,319**
thereof Cash	–
thereof Cash Equivalents	15,319
thereof Trading Securities	–
Current Financial Receivables	**20,118**
Current Financial Liabilities(2)	**39,012**
thereof Current Bank Debt	18,137
thereof Other current financial debt	20,875
Net Current Financial Indebtedness(3)	**3,575**
Non-Current Financial Liabilities(4)	**3,729**
thereof Non current Bank loans	3,729
thereof Other Non Current Loan	–
Net Financial Indebtedness(5)	**7,304**

(1) Includes retained earnings.
(2) Financial liabilities as defined in IAS 32.11 which are expected to be recovered or settled no more than twelve months after the balance sheet date.
(3) Current financial liabilities minus current financial receivables minus cash and cash equivalents.
(4) Financial liabilities as defined in IAS 32.11 which are expected to be recovered or settled more than twelve months after the balance sheet date.
(5) Net current financial indebtedness plus non-current financial liabilities.

Powerland has in the past not paid the full amount of social insurance and housing funds to its employees in accordance with PRC law. Considering the risk for additional payments for prior periods, an accrual of approximately EUR 1,097 thousand was made as at 31 December 2010 based on Powerland's estimates for the past unpaid contributions. Mr. Shunyuan Guo has undertaken with Powerland to reimburse Powerland for any additional costs resulting from additional social insurance and housing funds payments to be made.

As at 31 December 2010, Powerland had no additional contingent liabilities.

In the Company's opinion, Powerland's working capital (not taking into account the proceeds from the Offering) is sufficient for its present requirements that means sufficient to cover those payment obligations which will become due at least within the next twelve months from the date of this Prospectus.

DILUTION

The book value of the shareholders' equity as at 31 December 2010 as reflected in the consolidated financial statements under IFRS of Powerland Hong Kong for the financial years ended 2008, 2009 and 2010 amounted to EUR 27,205 thousand. If the Company already had been incorporated and already had acquired all interests in Powerland Hong Kong as at 31 December 2010, its shareholders' equity under IFRS on a consolidated basis would also have amounted to EUR 27,205 thousand. This is equivalent to approximately EUR 2.72 per share (calculated on the basis of 10,000,000 shares as of the date of this Prospectus).

The Company assumes that the number of New Shares placed with investors will be between 3,500,000 and 5,000,000. Based on the intended gross issue proceeds of the Company of between EUR 80 million and EUR 90 million, this would correspond to an offer price of between EUR 16 (based on gross issue proceeds of EUR 80 million and the placement of 5,000,000 New Shares) and EUR 25.71 (based on gross issue proceeds of EUR 90 million and the placement of 3,500,000 New Shares) per share. Assuming that the gross issue proceeds obtained by the Company were EUR 85 million (which is the mid-point of the expected gross proceeds obtained by the Company of EUR 80 million to EUR 90 million), the Company would obtain net proceeds of EUR 77.3 million and the offer price would be between EUR 17 (based on the placement of 5,000,000 New Shares) and EUR 24.29 (based on the placement of 3,500,000 New Shares). If the Company had obtained this amount as at 31 December 2010, the book value of shareholders' equity at that time would have been about EUR 104.51 million or between EUR 6.96 per share (based on the increased number of 15,000,000 shares after the placement of 5,000,000 New Shares) and EUR 7.74 per share (based on the increased number of 13,500,000 shares after the placement of 3,500,000 New Shares). Consequently, under the above-mentioned assumptions, the implementation of the Offering would lead to a direct increase in the book value of shareholders' equity of between EUR 4.24 and EUR 5.02, or 155% and 185% per share for the Existing Shareholders and a direct dilution of between EUR 10.04 and EUR 16.55, or between 59% and 68% per share for the purchasers of the Offer Shares.

The Company will publish an updated and adjusted calculation of the dilution based on the changes resulting from the implementation of the Offering together with the supplement in which the price range will be published.

SELECTED FINANCIAL INFORMATION

The Company was founded by way of notarised deed of formation (Gründungsurkunde) on 21 February 2011 and incorporated by registration in the commercial register of the local court of Frankfurt on 14 March 2011.

*The operational business of Powerland is exclusively carried out by Powerland Fujian Suitcase and Leather Goods, Co. Ltd. ("**Powerland Fujian**") and Guangzhou Powerland Suitcase and Leather Goods, Co. Ltd. ("**Powerland Guangzhou**"), both indirectly wholly owned subsidiaries of the Company. All shares in Powerland Fujian and Powerland Guangzhou are owned by Powerland International Holdings Limited ("**Powerland Hong Kong**"), a company under Hong Kong law, whose sole shareholder is Powerland AG.*

*In order to present the business, financial condition and result of operations, in relation to the business of Powerland, Powerland has prepared consolidated financial statements of Powerland Hong Kong as at and for the years ended 31 December 2008, 31 December 2009, and 31 December 2010 under IFRS (the "**Consolidated Financial Statements**").*

The Consolidated Financial Statements have been prepared on a voluntary basis for the purpose of this Offering. The purpose of these financial statements is to put the investor in the position to better compare the development of the business, financial condition and the results of operations of Powerland over the periods under review.

*The Consolidated Financial Statements were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Ferdinandstraße 59, 20095 Hamburg, Germany (**"BDO**").*

Powerland's selected financial information as at and for the years ended 31 December 2008, 31 December 2009, and 31 December 2010, which is reflected in this section, was derived from the Consolidated Financial Statements.

The following figures were subject to rounding adjustments that were carried out according to established commercial standards. As a result, the figures stated in the table may not exactly add up to the total values that may also be stated in the table.

	31 December					
	2008		2009		2010	
			(audited)[1]			
	EUR thousand	%	EUR thousand	%	EUR thousand	%
Revenue	**54,701**	**100**	**82,176**	**100**	**112,635**	**100**
Cost of sales	(30,818)	56	(46,763)	57	(67,865)	60
Gross Profit	**23,883**	**44**	**35,413**	**43**	**44,770**	**40**
Other income	123	1	129	0	85	0
Selling and distribution costs	(6,550)	12	(9,294)	11	(11,234)	10
Administrative and other expenses	(4,114)	8	(5,046)	6	(6,603)	6
Net finance costs	(897)	2	(463)	1	(920)	1
Profit before tax	**12,445**	**23**	**20,739**	**25**	**26,098**	**23**
Tax expenses	(1,632)	3	(2,722)	3	(3,481)	3
Net profit for the financial year	**10,813**	**20**	**18,017**	**22**	**22,617**	**20**
Selected Balance Sheet Data						
Total assets	32,080		31,526		72,501	
Total liabilities	16,077		14,011		45,296	
Total equity	16,003		17,515		27,205	
Selected Cash Flow Data						
Net Cash flows from operating activities	6,898		19,436		26,103	
Cash flow from investing activities	(1,152)		(30)		(16,723)	
Cash flow from financing activities	(2,966)		(16,647)		(2,887)	
Cash at end of period	**5,122**		**7,718**		**15,319**	

	31 December		
Other Selected Financial Data	2008	2009	2010
	EUR thousand	EUR thousand	EUR thousand
Gross profit margin	44%	43%	40%
EBITDA[2]	13,683	21,586	27,426
EBITDA margin[3]	25%	26%	24%
EBIT[4]	13,342	21,202	27,018
EBIT margin[5]	24%	26%	24%
Net profit margin[6]	20%	22%	20%
Dividends paid[7]	3,929	16,824	16,695
Financial debt[8]	7,586	7,435	21,866
Net debt[9]	2,464	(283)	6,547
Number of employees[10]	955	917	1,075

(1) Audited information with the exception of "Other Selected Financial Data" which is Company information
(2) EBITDA is calculated as net income less interest income plus interest expense plus tax payable less tax refund plus/less investment income plus depreciation and amortisation
(3) EBITDA divided by revenues times 100
(4) EBIT is calculated as net income less interest income plus interest expense plus tax payable less tax refund plus/less investment income
(5) EBIT divided by revenues times 100
(6) Profit for the period divided by revenues times 100
(7) These figures were disclosed under Note 27 to the consolidated financial statements of Powerland Hong Kong in respect of financial years ended 31 December 2008, 2009 and 2010
(8) Financial debt is calculated as total loans and borrowings from financial institutions
(9) Net debt is calculated as total loans and borrowings less cash and cash equivalents. These figures were disclosed under Note 31.4 to the consolidated financial statements of Powerland Hong Kong in respect of financial years ended 31 December 2008, 2009 and 2010
(10) As at the Balance Sheet Date

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the other information in this Prospectus, including the financial information and related notes thereto beginning on page F-1 and the section "Selected Financial Information". This discussion and analysis contains some forward-looking statements that are subject to known and unknown risks and uncertainties. The actual results and the timing of events could differ materially from those expressed or implied by such forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly in the section "Risk Factors".

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The Consolidated Financial Statements have been prepared on a voluntary basis for the purpose of this Offering. The purpose of these financial statements is to put an investor in the position to better compare the development of the business, financial condition and results of operations of Powerland over the periods under review.

*The Consolidated Financial Statements were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Ferdinandstraße 59, 20095 Hamburg, Germany ("**BDO**").*

Powerland's financial information as at and for the years ended 31 December 2008, 31 December 2009, and 31 December 2010, which is reflected in this section, was derived from the Consolidated Financial Statements.

The following figures were subject to rounding adjustments that were carried out according to established commercial standards. As a result, the figures stated may not add up to the total values that may also be stated.

Overview

Powerland is engaged in the design, production, promotion and sale of a wide range of bags, travel cases and accessories. It operates two business segments, the Luxury Segment and the Casual Segment. Powerland's operating subsidiaries are based in the Fujian Province and the Guangdong Province in China.

In the Luxury Segment, Powerland is active in the luxury goods market in China and sells fashionable women's handbags, travel cases, wallets and purses and, since 2010, men's handbags, briefcases and belts, all made from genuine leather, under its premium brand "Powerland". The products in this segment target the mid- to high-end segment of the Chinese luxury bags and luggage market. Powerland collaborates with an Italian-based design studio to design its products, sources its own raw materials and other product components and outsources the manufacturing process to several original equipment manufacturers ("**OEM**") in China. Products from the Luxury Segment are distributed exclusively in China through a network of Powerland-branded retail points of sales (the "**Powerland Stores**") which are operated by independent distributors. As at 31 December 2010, Powerland's retail distribution network consisted of 110 Powerland Stores in total, including one flagship store in Beijing, five exclusive stores, mainly operated in shopping malls, and 104 designated Powerland sales areas in department stores (shop in shops). Powerland's products in the Luxury Segment have retail prices usually ranging from RMB 2,000 (EUR 229) to RMB 7,000 (EUR 802) and target the Chinese upper-middle class consumers. Powerland launched its Luxury Segment in early 2008 and has recorded significant growth in this segment since then. The number of Powerland Stores increased from 14 as at 31 December 2008 to 71 as at 31 December 2009, and to 110 as at 31 December 2010. Revenues within the Luxury Segment increased from EUR 3,429 thousand in 2008 to EUR 26,336 thousand in 2009 and EUR 52,847 thousand in 2010. Powerland's growth strategy is primarily based on a significant expansion in this segment.

In the Casual Segment, Powerland designs, manufactures and sells casual bags made of textile or synthetic leather, which target the Chinese and overseas mid- to low-end segment of the non-luxury bags and luggage market. Products include handbags, sport bags, backpacks, travel bags, laptop bags, tool bags, cooling bags, and accessories (e.g. wallets and purses). These products are sold under Powerland's second brand "Sotto", as unbranded white label products for supermarkets and department stores or, in cases in which Powerland acts as OEM manufacturer for international brands, under third party brands. Products from the Casual Segment are distributed in China and to selected overseas markets through various distributors, including wholesalers and trading companies. Revenues within the Casual Segment increased from EUR 51,272 thousand in 2008 to EUR 55,840 thousand in 2009 and to EUR 59,788 thousand in 2010.

Powerland has experienced significant revenue growth in 2008, 2009 and 2010. Powerland's revenues increased from EUR 54,701 thousand in 2008 to EUR 82,176 thousand in 2009 and to EUR 112,635 thousand in 2010, corresponding to a compound annual growth rate ("**CAGR**") of 43.5% over this period. Powerland's net profits increased from EUR 10,813 thousand in 2008 to EUR 18,017 thousand in 2009 and to EUR 22,617 thousand in 2010, corresponding to a CAGR of 44.6% over this period. As at 31 December 2010, Powerland employed 1,075 employees.

Key Factors Affecting Powerland's Results of Operations

The Company believes that the following factors had and/or will continue to have a material effect on its results of operations and financial condition:

Development of the Chinese market for consumer goods and in particular luxury goods (including luxury leather handbags for women)

A significant portion of Powerland's revenues (in 2010 approximately 90%) are generated by the sale of its products in the PRC market. This portion could even increase in the future, as it is part of Powerland's strategy to put a particular emphasis on the marketing and distribution of its products from the Luxury Segment in the Chinese market. This strategy is based on the assumed growth of the Chinese market for luxury goods.

Powerland believes that sustained economic growth and increasing disposable income of Chinese consumers in the PRC are very important reasons for rising domestic demand for luxury products such as handbags. In the recent years, the Chinese gross domestic product grew at double digit rates. Accordingly, the disposable income of Chinese consumers, in particular of urban residents, increased significantly (see: "*Industry Overview – Overview of the Chinese Economy*").

The PRC market for luxury goods (including handbags for women) also grew significantly in recent years (see: "*Industry Overview – Chinese Luxury Market*"). An increase in the growth rate of the Chinese market for consumer goods and in particular for luxury goods (including handbags for women) is likely to have a positive effect on Powerland's revenues and profitability, while a decrease is likely to have a negative effect.

Competition in the markets in which Powerland operates

Powerland's current competitors in the PRC market for luxury leather bags are mainly international and, to a lesser extent, domestic brands. Powerland's international competitors in the Luxury Segment distribute their products under brands that are internationally recognised and longer-standing than the Powerland brand. These competitors have a larger customer base and greater financial resources and make significant investments into marketing and brand building in the PRC. They have direct access to the latest international design trends originating from London, New York, Milan and Paris and are even in a position to set or influence these trends. In addition, Chinese consumers currently have a tendency to prefer international luxury brands over domestic luxury brands. While current competition from PRC luxury good producers is relatively modest, new PRC competitors, in particular current OEM producers, could access the market and try to take advantage of the fact that there are currently very few established PRC brands in the market for luxury leather bags by launching new brands. To remain competitive, Powerland must continue to invest significant resources in brand building and fostering. Moreover, Powerland is dependent on detecting consumer preferences, particularly those of Chinese consumers, and the latest design trends and on developing products that reflect these preferences and trends.

In the Casual Segment, Powerland does not place great emphasis on branding and therefore mainly competes on the basis of product quality and price. Price competition in the market for bags made of textile or synthetic leather for the mid to low-end market is very intense. In order to remain competitive, Powerland depends on constantly improving its productivity while maintaining product quality at a high level. Powerland believes the highly fragmented market for bags made of textile or synthetic leather for the mid to low-end market will enter into a phase of consolidation that will favour large scale producers and render small scale producers out of business. In addition, barriers to entry to the market for bags made of textile or synthetic leather for the mid to low-end market are relatively low for new competitors with sufficient financial resources to make the necessary investments in machinery and experienced personnel. New competitors could therefore enter the market at any time.

An increase in competition in the markets in which Powerland operates is likely to have a negative effect on Powerland's revenues and profitability, while decreasing competition is likely to have a positive effect.

Development of the retail distribution network in the Chinese market

The sale of products from the Luxury Segment to end-customers is effected almost exclusively through a distribution network in China consisting of 42 independent retail distributors (as at 31 December 2010) operating 110 retail outlets (as at 31 December 2010) under the Powerland brand with uniform design standards. As the mid- to high-end luxury market in the PRC is still mainly supply driven, the contracting of additional distributors by Powerland and the opening of new Powerland Stores usually leads to an increase in revenues. The number of distributors operating Powerland Stores increased from three as at 31 December 2007 to nine as at 31 December 2008 to 24 as at 31 December 2009 and to 42 as at 31 December 2010. During the same period, the number of Powerland Stores increased from seven as at 31 December 2007 to 14 as at 31 December 2008 to 79 as at 31 December 2009 and to 110 as at 31 December 2010. This increase in the number of distributors and stores has driven the growth of Powerland's revenues in the Luxury Segment from EUR 3,429 thousand in 2008 to EUR 26,336 thousand in 2009 and EUR 52,847 thousand in 2010 (CAGR: 293 %).

The successful expansion of the retail distribution network in line with Powerland's strategy (see: "*Business – Strategy*") is therefore likely to lead to an increase in revenues and could also lead to an increase in profitability, while failure to successfully expand and sustain this network is likely to lead to a decrease in Powerland's revenues and profitability.

Changes in raw material prices

The profitability of Powerland's business is largely affected by changes in costs of raw materials, in particular changes in the prices of leather, textile and synthetic leather.

The purchase price that Powerland pays for leather, textile and synthetic leather is influenced by global demand and supply.

In its supply agreements, Powerland generally fixes the purchase price for materials consumed for periods of one year. The prices for materials consumed can therefore vary significantly from one year to the next when a new framework supply agreement is concluded. In 2010, Powerland's average purchase price for leather remained relatively stable. While Powerland's average purchase price for oxford fabric as the main raw material for its products made of textile did not fluctuate significantly in the years 2008 and 2009, it increased by approximately 50% at the beginning of 2010. Powerland's average purchase price for synthetic leather (i.e. PU/PVC) remained relatively stable during the years 2008, 2009 and 2010. The purchase price that Powerland agreed with its suppliers for raw materials to be supplied in 2011 increased compared to the previous year by approximately 7% for leather and 6% for textile while prices for synthetic leather remained stable.

In addition, because leather, textile and synthetic leather are mostly traded in US dollars, increases in the prices of these raw materials can be exacerbated by increases in the value of the US dollar. Since Powerland does not hedge against fluctuations in commodity prices or exchange rates, an increase in the US dollar-denominated commodity prices against the RMB would increase Powerland's costs incurred in RMB and expressed in EUR in its financial statements.

If and to the extent Powerland is not able to pass increased raw material costs to its customers or to agree on certain price increases with its customers and distributors, its results of operations will be adversely affected. If the costs of raw materials decrease and Powerland is in a position that it does not have to lower the prices of its products accordingly, its results of operations will be positively affected.

Effects of currency fluctuations

The Consolidated Financial Statements were prepared in EUR and the Company's future consolidated financial statements will be prepared in EUR, while Powerland's operating currency is RMB, which is currently not a freely convertible currency. A devaluation of the RMB versus the EUR would therefore have an adverse foreign currency translation effect whereas an appreciation of the RMB versus the Euro would have a positive currency translation effect on Powerland's consolidated financial statements. For example, the Consolidated Financial Statements of the Company were prepared using an exchange rate for the years ended 31 December 2008, 2009 and 2010 of 0.0982 EUR per RMB, 0.1051 EUR per RMB and 0.1113 EUR per RMB, respectively. Measured in RMB, Powerland's revenues increased by 40% (compared to an increase of 50% in EUR) from 2008 to 2009 and by 30% (compared to an increase of 37% in EUR) from 2009 to 2010. As the value of the RMB is controlled by PRC authorities, it is possible that foreign exchange policies of the PRC government could have a significant impact on foreign currency exchange rates. An increase in the value of the RMB against the EUR would therefore increase Powerland's profitability measured in EUR while a decrease in the value of the RMB against the EUR would decrease Powerland's profitability measured in EUR.

Fluctuations in labour costs

Powerland's business is labour intensive. In 2010, Powerland granted total employee benefits (salaries, social security contributions and other short term benefits) of EUR 5,375 thousand corresponding to approximately 5% of Powerland's revenues for this year. Powerland remunerates most of its employees in accordance with the output volume of the individual employee in addition to the agreed base salary. In addition, Powerland recorded costs of EUR 5,670 thousand (or 5% of revenues) for contract manufacturing which are also influenced by the general level of labour costs in the PRC. In 2009, the average wage per capita of employees of private companies in the PRC increased by approximately 6.6% compared to 2008 *(Source: National Bureau of Statistics of China)*.

If and to the extent that Powerland is unable to offset an increase in labour costs with increases in revenues, its results of operations could be adversely affected.

Expiration of tax holidays and changes in applicable tax provisions

On 16 March 2007, China promulgated the new Enterprise Income LawTax ("**EIT**"). Effective from 1 January 2008, the new EIT unifies the statutory enterprise income tax rate at 25% for both domestically-owned and foreign-invested enterprises.

As a manufacturing wholly foreign-owned enterprise incorporated before 16 March 2007, both Powerland Fujian and Powerland Guangzhou can still be exempt from enterprise income tax for the first and second years starting with the year they begin to make a tax profit and be granted a 50% reduction on enterprise income tax rate in the subsequent three years.

Because the first tax-profitable year for Powerland Fujian and Powerland Guangzhou was 2006 and 2007, respectively, the so-called "tax holiday" for Powerland Fujian and Powerland Guangzhou began in 2006 and 2007, accordingly. Therefore, the income tax rate for Powerland Fujian was 12.5% in 2008, 2009 and 2010, and will be 25% in 2011 and onwards. The effective tax rate for Powerland Guangzhou was zero in 2008 and 12.5% in 2009, 2010 and will be 12.5% in 2011 and 25% from 2012 onwards. This increase in the effective EIT tax rate will probably lead to an increase of Powerland's tax burden in 2011 and 2012 and, thus, have a negative effect on Powerland's net profits.

The interpretation of applicable tax provisions may be subject to changes in the future. Such changes may have an effect on Powerland's tax status and its results of operations.

Results of Operations

The following table presents income statement data of Powerland Hong Kong for the years ended 31 December 2008, 2009 and 2010 on a consolidated basis, which was taken from the Consolidated Financial Statements. The table also presents income statement data as a percentage of revenues.

	31 December (audited)					
	2008		2009		2010	
	EUR thousand	% of revenues	EUR thousand	% of revenues	EUR thousand	% of revenues
Revenue	**54,701**	**100**	**82,176**	**100**	**112,635**	**100**
Cost of sales	(30,818)	56	(46,763)	57	(67,865)	60
Gross Profit	**23,883**	**44**	**35,413**	**43**	**44,770**	**40**
Other income	123	0	129	0	85	0
Selling and distribution costs	(6,550)	12	(9,294)	11	(11,234)	10
Administrative and other expenses	(4,114)	8	(5,046)	6	(6,603)	6
Net finance costs	(897)	2	(463)	1	(920)	1
Profit before tax	**12,445**	**23**	**20,739**	**25**	**26,098**	**23**
Tax expense	(1,632)	3	(2,722)	3	(3,481)	3
Net profit for the financial year	**10,813**	**20**	**18,017**	**22**	**22,617**	**20**
Other comprehensive income:						
Exchange differences on foreign currency translation (net of tax)	1,280	2	(327)	0	2,302	2
Total comprehensive income/ (expenses) for the period	**12,093**	**22**	**17,690**	**22**	**24,919**	**22**

Revenues

Revenues are generated from the sale of handbags for women, trolley cases, wallets, bags for men and belts made of genuine leather in the Luxury Segment and bags made of synthetic leather, back-packs, trolley bags, travel bags, laptop bags, ice bags, tool bags and other products made of textile in the Casual Segment.

Revenues increased from EUR 54,701 thousand in 2008 by EUR 27,475 thousand, or 50%, to EUR 82,176 thousand in 2009. Measured in RMB, revenues increased by 40% during this period. This increase mainly resulted from an increase by 668% in sales of products from the Luxury Segment and, to a lesser extent, from an increase by 9% in the sales of products from the Casual Segment.

Revenues increased from EUR 82,176 thousand in 2009 by EUR 30,459 thousand, or 37%, to EUR 112,635 thousand in 2010. Measured in RMB, revenues increased by 30% during this period. The reason for the increase measured in RMB was an increase in sales of products from the Luxury Segment by 90% and, to a lesser extent by an increase by 1% in the sales of products from the Casual Segment.

Revenues by Segment

Luxury Segment

Revenues in the Luxury Segment increased from EUR 3,429 thousand in 2008 by EUR 22,907 thousand, or 668%, to EUR 26,336 thousand in 2009. Measured in RMB, revenues in the Luxury Segment increased by 617%. While the average ex factory selling price per product, which is mainly influenced by the product mix, i.e. the types of products sold within the respective year, remained relatively stable, the quantity sold increased significantly from 2008 to 2009. The reason for this strong increase is that Powerland had only just begun to launch its product offering in the Luxury Segment in 2008. As revenues in the Luxury Segment are mainly supply driven, the opening of new stores and the contracting of additional distributors normally leads to an increase in revenues. The number of Powerland stores increased from 14 as at 31 December 2008 to 79 as at 31 December 2009 and the number of distributors increased from nine as at 31 December 2008 to 24 as at 31 December 2009.

Revenues in the Luxury Segment increased from EUR 26,336 thousand in 2009 by EUR 26,511 thousand, or 101 %, to EUR 52,847 thousand in 2010. Measured in RMB, revenues in the Luxury Segment increased by 90%. This increase was driven by an expansion of Powerland's retail network of independent distributors. The number of Powerland stores increased from 79 as at 31 December 2009 to 110 as at 31 December 2010. The number of distributors increased from 24 as at 31 December 2009 to 42 as at 31 December 2010.

The following table shows a breakdown of Powerland's revenues in the Luxury Segment by product category for each of the three years ended 31 December 2008, 2009 and 2010:

	2008	2009	2010
	EUR thousand	EUR thousand	EUR thousand
Handbags for women	2,633	16,749	42,483
Trolley Cases	371	6,425	5,501
Wallets	425	3,162	1,939
Men's bags	–	–	2,548
Belts	–	–	376
Luxury Segment	**3,429**	**26,336**	**52,847**

Powerland's independent distributors sell the products from the Luxury Segment either to individual retail customers in the Powerland Stores or in bulk mainly to government authorities and business corporations. In 2008, almost all revenues in the Luxury Segment were attributable to individual sales to retail customers in Powerland Stores. In 2009, bulk sales accounted for more than 40% of total revenues in the Luxury Segment. This portion decreased to approximately one third in 2010.

Casual Segment

The following table shows a breakdown of Powerland's revenues in the Casual Segment by product category for each of the three years ended 31 December 2008, 2009 and 2010:

	2008	2009	2010
	EUR thousand	EUR thousand	EUR thousand
Trolley Bag	13,504	8,733	13,089
Backpack	11,562	13,436	8,854
Travel Bag	6,422	7,694	7,412
Tool Bag	361	1,444	4,072
Laptop Bag	3,450	4,347	3,545
Ice Bag	2,702	3,237	112
Others	6,053	9,833	14,101
Textile products	44,054	48,724	51,185
Synthetic leather bags	7,218	7,116	8,603
Total	**51,272**	**55,840**	**59,788**

Revenues in the Casual Segment increased from EUR 51,272 thousand in 2008 by EUR 4,568 thousand, or 9%, to EUR 55,840 thousand in 2009. Measured in RMB, revenues increased by 2%. This increase was due to an increase in the revenues generated with textile products by 3% that was only slightly offset by a decrease in revenues generated with synthetic leather products by 8%. The reason for this slight decrease was a decrease in orders from the two major customers purchasing synthetic leather products (two trading companies that sell Powerland's synthetic leather products in

South Africa and neighbouring African countries) and the fact that Powerland focused its resources on the expansion of the Luxury Segment in 2009.

Revenues in the Casual Segment increased from EUR 55,840 thousand in 2009 by EUR 3,948 thousand, or 7%, to EUR 59,788 thousand in 2010. Measured in RMB, revenues increased by 1%. This increase was due to an increase in revenues generated with synthetic leather products by 14% that was partly offset by a decrease in revenues with textile products by 1%. This decrease in sales from textile products was, again, due to the fact that Powerland focused its resources on its Luxury Segment and a short period of aggressive pricing policies of smaller competitors. In 2010, Powerland focused on the production of larger textile products which together with an increase in the price for oxford cotton led to an increase in the average selling price but a decrease in the number of products sold. The increase in sales from synthetic leather products resulted from an increased order volume from its two major customers for these products.

Revenues Breakdown by Geographical Region

The following table shows a breakdown of Powerland's revenues by geographical region based on customer location for each of the three years ended 31 December 2008, 2009 and 2010:

	2008		2009		2010	
	EUR thousand	**%**	**EUR thousand**	**%**	**EUR thousand**	**%**
PRC	41,628	76	69,432	84	98,091	87
Rest of World[1]	13,073	24	12,744	16	14,544	13
Total	**54,701**	**100**	**82,176**	**100**	**112,635**	**100**

(1) mainly: South Africa, United Arab Emirates, Australia

In the Luxury Segment all revenues are generated with PRC customers. In the Casual Segment most products made from textile are sold to PRC customers, whereas products made of synthetic leather are almost exclusively sold to customers domiciled outside the PRC.

In 2008, 76% of Powerland's revenues were generated with customers domiciled in the PRC. This portion increased to 84% in 2009 and to 87% in 2010. The steady increase of the portion generated with PRC customers is mainly attributable to the fact that the revenues generated with the sale of products from the Luxury Segment via the PRC retail distribution network increased disproportionately higher than total revenues. In addition, the revenues generated with the sale of synthetic leather products slightly decreased in 2009 and the increase in revenues in 2010 was disproportionately lower than the increase in total revenues in 2010.

Cost of Sales and Gross Profit Margin

Cost of sales comprise costs of materials consumed (costs of purchasing leather, synthetic leather, textile and other product components and costs of the transportation of raw materials), direct labour costs for personnel employed in production, production overheads (packaging, depreciation of machinery and production sites, utilities costs relating to production and, in 2008 and 2009 only, costs for the purchase of finished goods for the Luxury Segment as well as, in 2010 only, costs of contract manufacturing. The costs for the purchase of finished goods in 2008 and 2009 are attributable to the fact that other than in 2010 Powerland did not purchase raw materials and provided these to the OEM manufacturers producing Powerland's products in the Luxury Segments, but rather purchased the finished products from the OEMs. In 2010, Powerland purchased raw materials itself and engaged the OEMs in its Luxury Segment as contract manufacturers which led to respective costs.

The following table provides a breakdown of cost of sales for each of the three years ended 31 December 2008, 2009 and 2010:

	2008		2009		2010	
	EUR thousand	% of revenues	EUR thousand	% of revenues	EUR thousand	% of revenues
Materials consumed	26,148	48	21,595	26	55,563	49
Direct labour costs	2,790	5	2,577	3	3,461	3
Production overheads	2,171	4	3,353	4	2,903	3
Direct purchase costs of finished goods (for genuine leather products)	5,647	10	11,258	14	–	0
Cost of contract manufacturing	738	1	786	1	5,670	5
Movements in inventories	(7,443)	(14)	6,828	8	(23)	0
Value-added tax	767	1	366	0	291	0
Total	**30,818**	**56**	**46,763**	**57**	**67,865**	**60**

Cost of sales increased from EUR 30,818 thousand in 2008 by EUR 15,945 thousand, or 52%, to EUR 46,763 thousand in 2009. Measured in RMB, cost of sales increased by 42%. EUR 14,272 thousand of the increase is attributable to changes in inventory. The increase in inventory in 2008 is mainly attributable to an increase in finished products from the Luxury Segment that Powerland held on stock at the end of 2008 in preparation for the intended quick expansion of the Luxury Segment at the beginning of 2009. The decrease in inventory in 2009 is attributable to a decrease in finished goods, mainly products made of leather and textile and, to a lesser extent, synthetic leather products. The decrease in finished goods from the Luxury Segment held on stock at the end of 2009 is a result of the change in Powerland's sourcing strategy from purchasing finished goods to purchasing raw materials and having the finished goods produced by contract manufacturers. The remainder of the increase mainly resulted from increases in the costs for contract manufacturing and production overheads that were only partly offset by a decrease in the costs of raw materials, direct labour costs and value-added tax.

Cost of sales increased from EUR 46,763 thousand in 2009 by EUR 21,102 thousand, or 37%, to EUR 67,865 thousand in 2010. This increase mainly resulted from a strong increase in materials consumed and costs of contract manufacturing that was partly offset by a decrease in production overheads and the fact that Powerland, as a result of the change in its sourcing strategy, no longer had costs for the purchase of finished goods in 2010.

Powerland's gross profit margin was 44% in 2008, 43% in 2009 and 40% in 2010. The decrease in the gross profit margin from 2009 to 2010 mainly results from a decrease in gross profit margin in the Casual Segment and, to a lesser extent, a decrease in gross profit margin in the Luxury Segment.

Cost of sales and Gross Profit Margin by Segment

Luxury Segment

Cost of sales in the Luxury Segment increased from EUR 1,822 thousand in 2008 by EUR 12,183 thousand, or 669%, to EUR 14,005 thousand in 2009. The reason for this increase is that Powerland had only just begun to launch its product offering in the Luxury Segment in 2008.

Cost of sales in the Luxury Segment increased from EUR 14,005 thousand in 2009 by EUR 15,306 thousand, or 109%, to EUR 29,311 thousand in 2010.

Powerland's gross profit margin in the Luxury Segment was 47% in 2008 and 2009 and 45% in 2010. The decrease in 2010 mainly results from the change in Powerland's sourcing strategy from purchasing finished goods to purchasing the raw materials itself and having the finished goods produced by contract manufacturers. The sum of costs for raw materials and direct labour costs per product unit in 2010 exceeded the purchase price per product unit purchased from OEM producers in 2009. Powerland has nevertheless opted for the change in the sourcing strategy, as this allows Powerland greater influence and more flexibility when choosing the leather. Powerland believes that this will help to improve product quality on which it places great importance in connection with establishing its brand in the PRC market. In addition, Powerland expects that over the mid term, when relationships with raw material suppliers become more established, costs per units will decrease.

Casual Segment

Cost of sales in the Casual Segment increased from EUR 28,996 thousand in 2008 by EUR 3,762 thousand, or 13%, to EUR 32,758 thousand in 2009 mainly in line with the increase in revenues.

Cost of sales in the Casual Segment increased from EUR 32,758 thousand in 2009 by EUR 5,796 thousand, or 18%, to EUR 38,554 thousand in 2010 mainly due a significant increase in the costs of purchasing oxford fabric as raw material for its textile products.

Powerland's gross profit margin in the Casual Segment was 43% in 2008, 41% in 2009 and 36% in 2010. The decrease in 2009 is mainly attributable to a slight decrease in the average sales price per unit with cost of sales per unit remaining relatively stable. The further decrease in 2010 results from the fact that the significant increase in raw material costs for its textile products could not be passed on entirely to the customers through corresponding increases in product prices.

Other Income

Other income mainly consists of government grants in connection with awards for the Powerland brand and others. Other income increased from EUR 123 thousand in 2008 to EUR 129 thousand in 2009 and then decreased to EUR 85 thousand in 2010.

Selling and Distribution Costs

Selling and distribution costs comprise marketing costs (includes costs of TV advertising, fees payable to the brand ambassador, expenses for the participation in trade fairs), sponsorship fees (fitting subsidies paid to distributors for the opening of new Powerland Stores), transportation fees (costs for the delivery of products and port charges), labour costs for employees engaged in the sales and marketing department, and others (other marketing expenses and other miscellaneous expenses in connection with sales activities).

The following table provides a breakdown of selling and distribution costs for each of the three years ended 31 December 2008, 2009 and 2010:

	2008		2009		2010	
	EUR thousand	% of revenues	EUR thousand	% of revenues	EUR thousand	% of revenues
Marketing costs	5,114	9	7,529	9	8,615	8
Salaries	50	0	61	0	184	0
Sponsorship fees	663	1	680	1	1,115	1
Transportation fees	665	1	982	1	1,246	1
Others	58	0	42	0	74	0
Total	**6,550**	**12**	**9,294**	**11**	**11,234**	**10**

Selling and distribution costs increased from EUR 6,550 thousand in 2008 by EUR 2,744 thousand, or 42%, to EUR 9,294 thousand in 2009 primarily as a result of an increase in marketing costs and transportation costs. The increase in marketing costs is mainly due to an increase in costs for advertisements, which was only partly offset by the fact that fees for marketing and strategy consultants were only incurred in 2008 and not in 2009.

From 2009 to 2010 selling and distribution costs increased from EUR 9,294 thousand in 2009 by EUR 1,940 thousand, or 21%, to EUR 11,234 thousand in 2010 as a result of an increase in marketing costs and transportation costs and one-time payments to distributors for the opening of new Powerland Stores.

Selling and distribution costs as a percentage of revenues amounted to 12% in 2008, 11% in 2009 and 10% in 2010.

Administrative and Other Expenses

Administrative and other expenses comprise, among others, research and development expenses (including the fees payable to the Italian design company (see: "*Business – Material Agreements*")), staff costs for management and other employees with administrative functions, depreciation and amortisation charges on land use rights relating to office buildings, utilities costs, travel expenses, entertainment expenses and other miscellaneous office expenses incurred for administrative purposes, donations (in 2008 mainly for the victims of the earthquake in Szechuan) and other taxes and tax surcharges.

Powerland's administrative and other expenses increased from EUR 4,114 thousand in 2008 by EUR 932 thousand, or 23% to EUR 5,046 thousand in 2009. This significant increase was mainly due to an increase in research and development expenses (in particular the fees payable to the Italian design company) that was only partly offset by a decrease in donations and other expenses.

Powerland's administrative and other expenses increased from EUR 5,046 thousand in 2009 by EUR 1,557 thousand, or 31%, to EUR 6,603 thousand in 2010 mainly due to an increase in costs of utilities and salaries of employees with management and administrative functions.

Administrative expenses as a percentage of revenues amounted to 8% in 2008, 6% in 2009 and 6% in 2010.

Finance Costs

Finance costs mainly comprise interest expenses on bank loans, recourse factoring and hire-purchases and foreign exchange losses.

Finance costs decreased from EUR 897 thousand in 2008 by EUR 434 thousand, or 48%, to EUR 463 thousand in 2009 mainly due to a decrease in foreign exchange losses and interest expenses on short term bank loans.

Finance costs increased from EUR 463 thousand in 2009 by EUR 457 thousand, or 99%, to EUR 920 thousand in 2010 mainly due to an increase in borrowings in 2010 to finance increased working capital requirements and the acquisition of property in Guangzhou.

Income Tax

Expenses for income tax increased from EUR 1,632 thousand in 2008 (corresponds to 13.1% of profit before income tax) to EUR 2,722 thousand in 2009 (corresponds to 13.1% of profit before income tax) and to EUR 3,481 thousand in 2010 (corresponds to 13.3% of profit before income tax). The actual income tax rate is slightly higher than the statutory income tax rate, as certain of Powerland's expenses are not eligible to be subject to the advantageous tax treatment that Powerland's PRC subsidiaries enjoy due to their status as foreign invested enterprise (see: "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Factors affecting Powerland's Results of Operations*").

The income tax rate for Powerland Fujian was 12.5% in 2008, 2009 and 2010. The income tax rate for Powerland Guangzhou was zero in 2008 and 12.5% in 2009 and 2010.

Balance Sheet Data

The following table presents balance sheet data of Powerland Hong Kong as at 31 December 2008, 2009 and 2010 on a consolidated basis which was taken from the Consolidated Financial Statements.

	31 December (audited)		
	2008	2009	2010
Assets	EUR thousand	EUR thousand	EUR thousand
Non-current assets			
Property, plant and equipment	5,045	4,684	20,358
Land use rights	2,490	2,384	4,375
Intangible assets	90	82	79
Total non-current assets	**7,625**	**7,150**	**24,812**
Current assets			
Inventories	11,362	4,784	7,518
Trade and other receivables	7,971	11,874	24,846
Current tax assets	–	–	6
Cash and cash equivalents	5,122	7,718	15,319
Total current assets	**24,455**	**24,376**	**47,689**
Total assets	**32,080**	**31,526**	**72,501**
Equity and liabilities			
Equity			
Share capital	–	–	1
Reserves	16,003	17,515	27,204
Total equity	**16,003**	**17,515**	**27,205**
Non-current liabilities			
Borrowings	14	–	3,729
Total non current liabilities	**14**	**–**	**3,729**
Current liabilities			
Trade and other payables	7,909	5,636	22,476
Borrowings	7,572	7,435	18,137
Current tax liabilities	582	940	954
Total current liabilities	**16,063**	**14,011**	**41,567**
Total liabilities	**16,077**	**14,011**	**45,296**
Total equity and liabilities	**32,080**	**31,526**	**72,501**

Non current Assets

Intangible Assets

Intangible assets mainly comprise of the rights to the Powerland trademark. The trademark was recognised at acquisition costs when it was acquired from Mr. Guo in 2007 and is amortised over a period of ten years.

Intangible assets amounted to EUR 90 thousand as at 31 December 2008, EUR 82 thousand as at 31 December 2009 and EUR 79 thousand as at 31 December 2010.

Property, plant and equipment

Property, plant and equipment mainly comprises buildings (see "*Business – Property, Plant, and Equipment*"), machinery and factory equipment, office and other equipment, motor vehicles and, in 2010 only, construction in progress.

Property, plant and equipment decreased from EUR 5,045 thousand as at 31 December 2008 by EUR 361 thousand, or 7 % to EUR 4,684 thousand as at 31 December 2009 and increased by EUR 15,674 thousand, or 335 %, to EUR 20,358 thousand as at 31 December 2010. The increase in 2010 mainly results from the purchase of premises in Guangzhou on which the new factory and the new marketing centre are situated (see: "*Business – Business Locations, Property, Plant and Equipment*").

Land use rights

Land use rights decreased slightly from EUR 2,490 thousand as at 31 December 2008 by EUR 106 thousand or 4 %, to EUR 2,384 thousand as at 31 December 2009 and then increased by EUR 1,991 thousand, or 84 %, to EUR 4,375 thousand in 2010. The increase in 2010 is mainly attributable to the purchase of premises in Guangzhou on which the new factory and the new marketing centre are situated (see: "*Business – Business Locations, Property, Plant and Equipment*").

Current Assets

Inventories

Inventories comprise raw materials (leather, textile and synthetic leather), work in progress, raw materials delivered to the contract manufacturers and not yet returned as finished goods and finished goods products on stock.

Inventories decreased significantly from EUR 11,362 thousand as at 31 December 2008 by EUR 6,578 thousand, or 58 %, to EUR 4,784 thousand as at 31 December 2009. This decrease resulted from a decrease in finished goods on stock that was only partly offset by an increase in raw materials. The large amount of finished goods as at 31 December 2008 was mainly attributable to products from the Luxury Segment. These were put on stock in expectation of the intended fast expansion of the retail distribution network in the beginning of 2009. The turnover rate (i. e. inventory divided by cost of sales multiplied by 365 days) decreased from 135 days for 2008 to 37 days for 2009.

Inventories increased from EUR 4,784 thousand as at 31 December 2009 by EUR 2,734 thousand, or 57 %, to EUR 7,518 thousand as at 31 December 2010 in line with the increase in Powerland's sales activity in 2010. The turnover rate for 2010 increased to 40 days.

Trade and other receivables

Trade and other receivables comprise trade receivables and non-trade receivables from related parties, and other receivables, claims resulting from advance payments to suppliers, in 2010 only, value-added tax recoverable and deferred IPO costs. In 2008 and 2009 other receivables comprised mainly loans to an employee and a third party that were repaid in 2010.

Trade and other receivables increased from EUR 7,971 thousand as at 31 December 2008 by EUR 3,903 thousand, or 49 %, to EUR 11,874 thousand in 2009 mainly due to an increase in trade receivables in line with the increase in Powerland's business activities and, to a lesser extent, an increase in receivables from related parties and other receivables.

Trade and other receivables increased from EUR 11,874 thousand as at 31 December 2009 by EUR 12,972 thousand, or 109 %, to EUR 24,846 thousand as at 31 December 2010 mainly due to increases in trade receivables and claims from advance payments to suppliers that were only partly offset by a decrease in receivables from related parties. Advance payments to suppliers were mainly made to suppliers of synthetic leather. Powerland made these prepayments in a situation in which it anticipated increases in the price of synthetic leather and the prepayments allowed Powerland to fix the price also for future deliveries at a reduced price level.

As at 31 December 2008, 19% of trade and other receivables were denominated in USD with the remainder being denominated in RMB. As at 31 December 2009, 16% of trade and other receivables were denominated in USD and the remainder in RMB. As at 31 December 2010, 4% of trade and other receivables were denominated in USD, 1% in EUR and the remainder in RMB.

An age analysis of trade receivables which were neither past due nor impaired as at 31 December 2008, 31 December 2009 and 31 December 2010 is shown below:

	31 December 2008	31 December 2009	31 December 2010
	EUR thousand	EUR thousand	EUR thousand
Within 30 days	5,776	8,680	10,675
31 – 60 days	1,197	488	9,030
61 – 90 days	–	136	–
More than 90 days	3	–	–
Total	**6,976**	**9,304**	**19,705**

Cash and cash equivalents

Cash and cash equivalents mainly comprise bank deposits. Cash and cash equivalents increased from EUR 5,122 thousand as at 31 December 2008 by EUR 2,596 thousand, or 51%, to EUR 7,718 thousand as at 31 December 2009 and then by EUR 7,601 thousand, or 98%, to EUR 15,319 thousand as at 31 December 2010. For a more detailed discussion of cash at the end of each period, see "*Liquidity*" in this section.

Equity

Equity increased from EUR 16,003 thousand as at 31 December 2008 by EUR 1,512 thousand, or 10%, to EUR 17,515 thousand as at 31 December 2009 due to an increase in retained earnings and then increased by EUR 9,690 thousand, or 37%, to EUR 27,205 thousand as at 31 December 2010 due to another increase in retained earnings.

Non-current Liabilities

Non-current liabilities consist of borrowings primarily from bank loans. The EUR 3,729 thousand recognised as borrowings as at 31 December 2010 related to a long-term bank loan used for the acquisition of the new factory in Guangzhou (see: "*Business – Business Locations, Property, Plant and Equipment*").

Current Liabilities

Borrowings

Borrowings comprise liabilities resulting from short-term bank loans and, as at 31 December 2008 only, recourse factoring and, as at 31 December 2008 and 31 December 2009 only, hire-purchases.

Borrowings decreased slightly from EUR 7,572 thousand as at 31 December 2008 by EUR 137 thousand, or 2%, to EUR 7,435 thousand as at 31 December 2009 and then increased by EUR 10,702 thousand, or 144%, to EUR 18,137 thousand as at 31 December 2010. The increase in 2010 is mainly attributable to an increase in short term loans. Short term loans were granted by Agricultural Bank of China and Guangdong Development Bank. Their purpose is to finance working capital requirements.

Trade and other payables

Trade and other payables comprise trade payables (mainly payables to suppliers of raw materials and OEM manufacturers and payables resulting from advertising activities), advances from related parties, other payables (mainly an outstanding instalment for the purchase of the new marketing centre in Guangzhou and related payables resulting from the construction and renovation of this marketing centre), advance payments from customers, value-added tax payable and accruals for tax surcharges, social security contributions and trade union fees and accruals for salaries and utilities. The payables relating to social security contributions and trade union fees result from potential under-payments in the past.

Trade and other payables decreased from EUR 7,909 thousand as at 31 December 2008 by EUR 2,273 thousand, or 29 %, to EUR 5,636 thousand as at 31 December 2009 and then increased by EUR 16,840 thousand, or 212 %, to EUR 22,476 thousand in 2010 mainly due to an increase in trade payables and, to a lesser extent, an increase in other payables and accruals. The increase in other payables results from an outstanding instalment of the purchase price for the new marketing centre in Guangzhou.

Income tax liabilities

Income tax liabilities increased from EUR 582 thousand as at 31 December 2008 by EUR 358 thousand, or 62 %, to EUR 940 thousand as at 31 December 2009 and then by EUR 14 thousand, or 15 %, to EUR 954 thousand as at 31 December 2010.

Liquidity

The following table presents cash flow information of Powerland Hong Kong for the years ended 31 December 2008, 2009 and 2010 on a consolidated basis which was taken from the Consolidated Financial Statements.

	31 December (audited)		
	2008	**2009**	**2010**
	EUR thousand	**EUR thousand**	**EUR thousand**
Cash flows from operating activities			
Profit before tax	**12,445**	**20,739**	**26,098**
Adjustments for:			
Depreciation of land use rights	61	65	69
Amortisation of land use rights and intangible assets	10	11	12
Loss on disposal of property, plant and equipment	–	–	2
Depreciation of property, plant and equipment	270	308	327
Property, plant and equipment written off	–	1	–
Interest income	(2)	(2)	(26)
Interest expense	568	450	822
Operating profit before working capital changes	13,352	21,572	27,304
Decrease/(Increase) in inventories	(7,117)	6,559	(2,102)
Increase in trade and other receivables	(1,836)	(4,155)	(11,233)
Increase/(Decrease) in trade and other payables	3,582	(2,196)	15,716
Cash generated from operations	7,981	21,780	29,685
Income taxes paid	(1,083)	(2,344)	(3,582)
Net cash flows from operating activities	**6,898**	**19,436**	**26,103**
Cash flows from investing activities			
Interest received	2	2	26
Sales proceeds from disposal of property, plant and equipment	–	–	35
Cash outflows for intangible assets	–	(4)	–
Cash outflows for purchase of land use rights	–	–	(1,728)
Cash outflows for property, plant and equipment	(1,154)	(28)	(15,056)
Cash flows used in investing activities	**(1,152)**	**(30)**	**(16,723)**
Cash flows from financing activities			
Additional capital contributed to the subsidiaries	939	646	1,465
Drawdown of borrowings	9,385	8,186	21,754
Repayment of borrowings	(8,793)	(8,205)	(8,589)
Dividends paid	(3,929)	(16,824)	(16,695)
Interest paid	(568)	(450)	(822)
Net cash used in financing activities	**(2,966)**	**(16,647)**	**(2,887)**
Net increase in cash and cash equivalents	**2,780**	**2,759**	**6,493**
Cash and Cash Equivalents at the beginning of the period	1,947	5,122	7,718
Effects on Cash and Cash Equivalents from currency translations	395	(163)	1,108
Cash and Cash Equivalent at the end of the period	**5,122**	**7,718**	**15,319**

Net Cash Flow Generated from/used in Operating Activities

Net cash flows from operating activities increased significantly from EUR 6,898 thousand in 2008 by EUR 12,538 thousand, or 182%, to EUR 19,436 thousand in 2009. This increase was mainly attributable to an increase in profits, a strong decrease in inventory that was partly offset by an increase in trade and other receivables and a decrease in trade and other payables.

Net cash flows from operating activities increased from EUR 19,436 thousand in 2009 by EUR 6,667 thousand, or 34%, to EUR 26,103 thousand in 2010 mainly due to an increase in profits and in trade and other payables that was only partly offset by an increase in inventories and trade and other receivables.

Net Cash used in Investing Activities

Net cash used in investing activities decreased from EUR 1,152 thousand in 2008 by EUR 1,122 thousand, or 97%, to EUR 30 thousand in 2009.

Net cash used in investing activities then increased from EUR 30 thousand in 2009 by EUR 16,693 thousand to EUR 16,723 thousand in 2010. This increase is mainly attributable to the purchase of premises in Guangzhou on which the new factory and the new marketing centre are situated (see: "*Business – Business Locations, Property, Plant and Equipment*").

Net Cash used in Financing Activities

Net cash used in financing activities increased from EUR 2,966 thousand in 2008 by EUR 13,681 thousand, or 461%, to EUR 16,647 thousand in 2009. This increase mainly resulted from an increase in dividends paid.

Net cash used in financing activities decreased from EUR 16,647 thousand in 2009 by EUR 13,760 thousand, or 83%, to EUR 2,887 thousand in 2010 mainly due to an increase in drawdowns of borrowings.

Future Commitments

As at 31 December 2008, 2009 and 2010 Powerland was subject to the following future commitments:

	31 December		
	2008	**2009**	**2010**
	EUR thousand	**EUR thousand**	**EUR thousand**
Property, plant and equipment			
Contracted but not provided for	–	–	1,002

The future commitment as at 31 December 2010 arose from a contract on fitting and furnishing the new marketing centre in Guangzhou.

Contingent Liabilities

As at 31 December 2010, Powerland had the following contingent liabilities:

Powerland has in the past not paid the full amount of social insurance and housing funds to its employees in accordance with PRC law. Considering the risk for additional payments for prior periods, an accrual of approximately EUR 1,097 thousand was made as at 31 December 2010 based on Powerland's estimates for the past unpaid contributions. Mr. Shunyuan Guo has undertaken with Powerland to reimburse Powerland for any additional costs resulting from additional social insurance and housing funds payments to be made.

Off-Balance Sheet and other Arrangements

Powerland has not removed any obligations from its balance sheet or created off-balance sheet obligations in off-balance sheet transactions. There are no other obligations and risks which were not reflected in the Consolidated Financial Statements of Powerland.

Critical Accounting Policies and Estimation Uncertainties

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of financial information set out herein. Investors should read the following paragraphs in conjunction with the financial statements, including the related notes, set out on page F-1 et seq.

Impairment

Powerland's management determines the impairment loss if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of the assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs.

Depreciation and Amortisation

Powerland's management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation charge for the year. The useful lives are based on Powerland's historical experience with similar assets and taking into account anticipated technological changes, which are consistent with the common life expectancies applied in the PRC. The depreciation and amortisation charge for future periods are adjusted if there are significant changes from previous estimates.

Provisions for Impairment

Powerland makes provisions for impairment based on an assessment of the recoverability of receivables. Impairment provisions are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Powerland's management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of provisions for impairment. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

Write Down for Obsolete or Slow-moving Inventories

Powerland writes down its obsolete or slow-moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Powerland's management specifically analyses sales trends and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow-moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

Fair Values of Borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to Powerland for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to Powerland based on its size and its business risk.

Income Tax

Powerland's PRC entities are subject to the PRC income tax and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, Powerland recognises tax liabilities based on estimates of whether additional taxes and interest will be due. Despite Powerland's belief that its PRC entities' tax return positions are supportable, these tax liabilities are recognised when Powerland believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. Powerland believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Selected macroeconomic, statistical and industry related information provided in this section have been prepared on the basis of various external sources.

For the translation of amounts that were only given in RMB in the cited sources in this Industry Overview, the average exchange rates of EUR 0.0982 per RMB 1.00 for the year ended 31 December 2008, EUR 0.1051 per RMB for the year ended 31 December 2009 and EUR 0.1113 per RMB 1.00 for the year ended 31 December 2010 have been used. For the translation of RMB amounts relating to estimations for 2011 and 2012, the period end exchange rate of EUR 0.1145 per RMB as at 31 December 2010 has been used. Amounts denominated in other currencies are expressly identified as such with the corresponding currency designation or currency symbol. The terms "PRC" and "China" or references made to a Chinese person or the Chinese market used in this Industry Overview do not include Hong Kong and Macau.

Overview of the Worldwide Luxury Market

The luxury market comprises, in particular, the segments hard luxury (watches, jewellery, cars), perfume and cosmetics, accessories including leather goods such as bags and luggage, shoes and belts as well as apparel. The market volume of the worldwide luxury market in 2010 was EUR 168 billion (estimated) compared to EUR 153 billion in 2009 and EUR 167 billion in 2008. The worldwide luxury market is expected to grow by 3 to 5% in 2011 (EUR 173 – 176 billion) depending on the development of varying exchange rates. *(Source: Bain & Company/Altagamma, "Global Luxury Goods Worldwide Market Study 9th Edition", October 2010)*

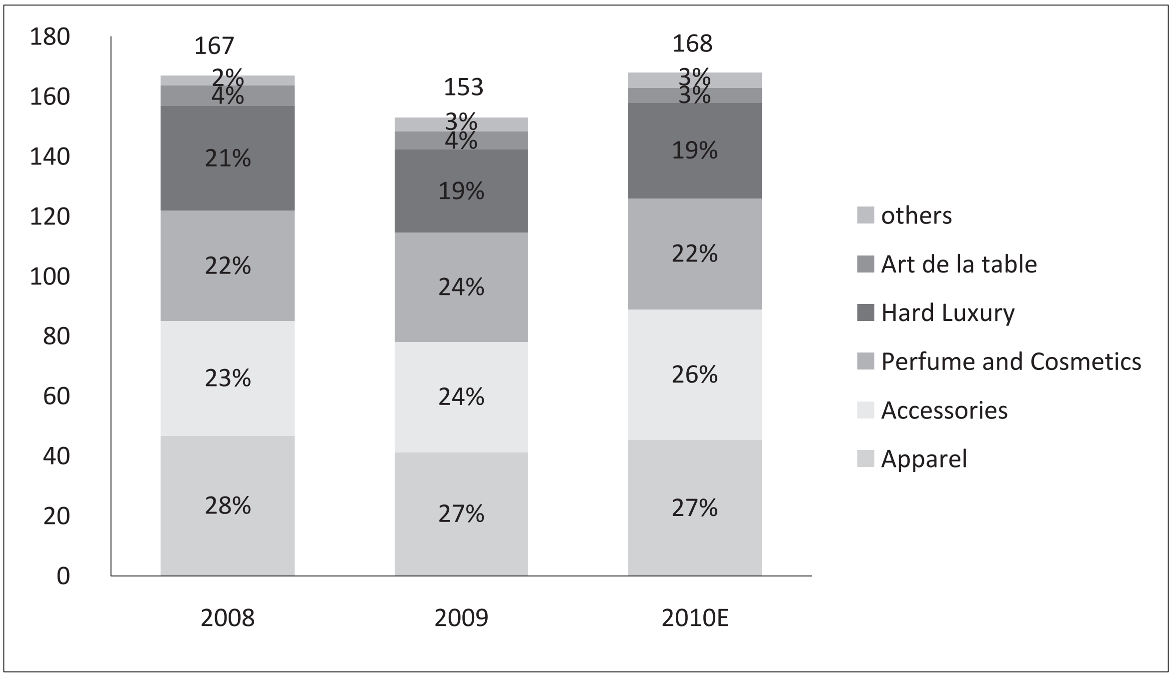
2009 was a critical year for the worldwide luxury market as it was the first year to show a decrease in total sales of 8%. In particular, the mature markets of Europe and USA reported a strong consumption decline. Emerging markets, such as China, registered decreasing growth rates. *(Source: Bain & Company/Altagamma, "Global Luxury Goods Worldwide Market Study 9th Edition", October 2010)*

The following chart provides an overview of the historic development of the worldwide market for luxury products from 1995 to 2010:

(Source: Bain & Company/Altagamma, "Global Luxury Goods Worldwide Market Study 9th Edition", October 2010).

However, since the fourth quarter of 2009 the worldwide luxury market has shown signs of recovery. Apart from a rebound in consumer confidence, Chinese consumers have been the main growth driver in the worldwide luxury market. The recovery of the worldwide luxury market was also driven by the increase in retail sales. Retail sales increased from EUR 38.41 billion in 2008 (23% of total market volume) to EUR 38.25 billion in 2009 (25% of the total market volume) and to EUR 45.36 billion in 2010 (estimated, 27% of the total market volume). The retail growth has been driven by openings of new stores in 2009 and strong organic growth of existing stores in 2010. Other retail channels such as online shopping and factory outlets also contributed to the increase in retail sales. *(Source: Bain & Company/Altagamma, "Global Luxury Goods Worldwide Market Study 9th Edition", October 2010)*

The following table shows the development of the worldwide luxury market by market segment for 2008 and 2009 in comparison to the expected development for 2010 (in EUR billion):



(Source: Bain & Company/Altagamma, "Global Luxury Goods Worldwide Market Study 9th Edition", October 2010; Bain & Company, "Luxury Goods Worldwide Market Study", 8th Edition, October 2009).

The recovery of the worldwide luxury market in 2010 has been reflected in all market segments. Based on estimations for 2010, total sales of accessories, which, among others, comprise the products Powerland produces in its Luxury Segment, amounted to EUR 43.68 billion and increased by 16% compared to 2009. The worldwide market for luxury leather goods – as part of the market for accessories – had an estimated total market volume of EUR 23 billion in 2010 compared to EUR 19 billion in 2009. Leather goods were the only category within the luxury market that grew in 2009. The growth was based on a high sales volume of entry price products. Men were spending the same as women in this category. The US market for luxury leather goods reflected a decrease of 7% in 2009 compared to 2008, however, rebounding quickly in 2010 (22%). The Asian market for luxury leather goods increased significantly by 25% in 2009. *(Source: Bain & Company/Altagamma, "Global Luxury Goods Worldwide Market Study 9th Edition", October 2010)*

Overview of the Chinese Economy

GDP Growth

Over the last five years, China's gross domestic product ("**GDP**") has grown at a compound annual growth rate ("**CAGR**") of 10%, equating to over 2.5 times the global average. *(Source: Deutsche Bank, Consumer & Luxury Goods, "Luxury Goods – China & Japan Focus", September 2010)*

The following table shows the development of the Chinese GDP for 2008 – 2014f (percentage change year over year; total; per capita):

	2008	2009	2010	2011f	2012f	2013f	2014f
Real GDP growth (p. a.)	9.6%	9.1%	10.1%	9.5%	8.8%	8.9%	8.8%
Real GDP (in billion USD)(1)	3,183.7	3,473.8	3,824.2	4,186.5	4,556.4	4,961.8	5,400.5
GDP per capita (in nominal USD)	3,402.6	3,734.6	4,350.9	5,240.4	6,244.5	7,462.6	8,784.7

(1) Adjusted for inflation using the value of the USD in 2005 as a basis.
Note: f = forecast
(Source: Global Insight)

However, the future GDP growth will also depend upon PRC government's initiatives to foster this growth. The PRC government has recently announced to aim for a lower GDP growth of approximately 7% p.a. within the next four years.

Retail Sales

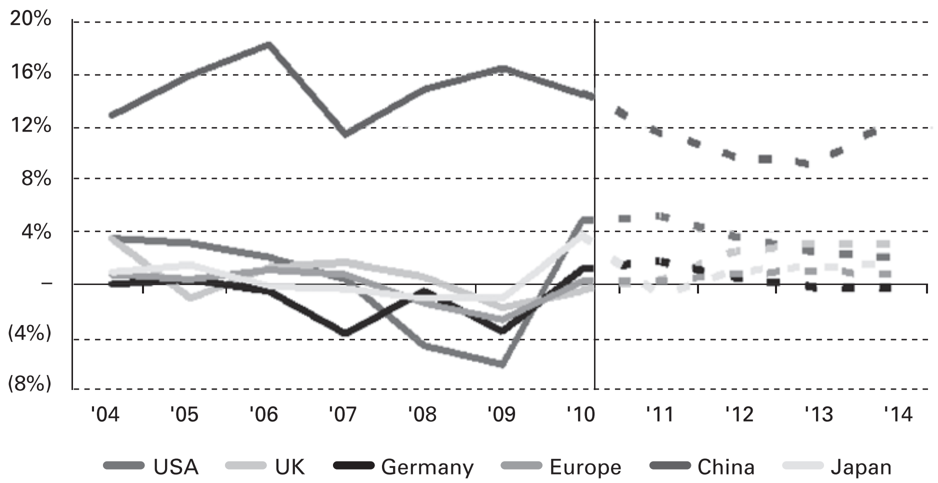
Macroeconomic features (GDP growth, urbanisation) have led to a rapid expansion of retail expenditure in China, though this phenomenon is also aided by certain culturally-specific factors. Historically high savings rates (mainly because of concerns over health and education) offer ample cash reserves as provision of key social services are increasingly in government hands. Additionally, the penetration of credit cards into everyday consumer behaviour has been increasing (see in this section: *"Trends in the Chinese Luxury Market"). (Source: Deutsche Bank, Consumer & Luxury Goods, "Luxury Goods – China & Japan Focus", September 2010)*

The following table shows the historical and expected growth rate in Chinese retail sales in percent in the period 2004 – 2014f:

	2004	2005	2006	2007	2008	2009	2010	2011f	2012f	2013f	2014f
In percent.	12.8	15.9	18.2	11.4	14.9	16.3	14.5	11.4	9.6	9.1	12.2

Note: f = forecast
(Source: Global Insight)

The following table shows the growth rate in retail sales p. a. in percent in China in the period 2004 – 2014 compared to USA, UK, Germany, Europe and Japan.



(Source: Global Insight)

Demographics and Urbanisation

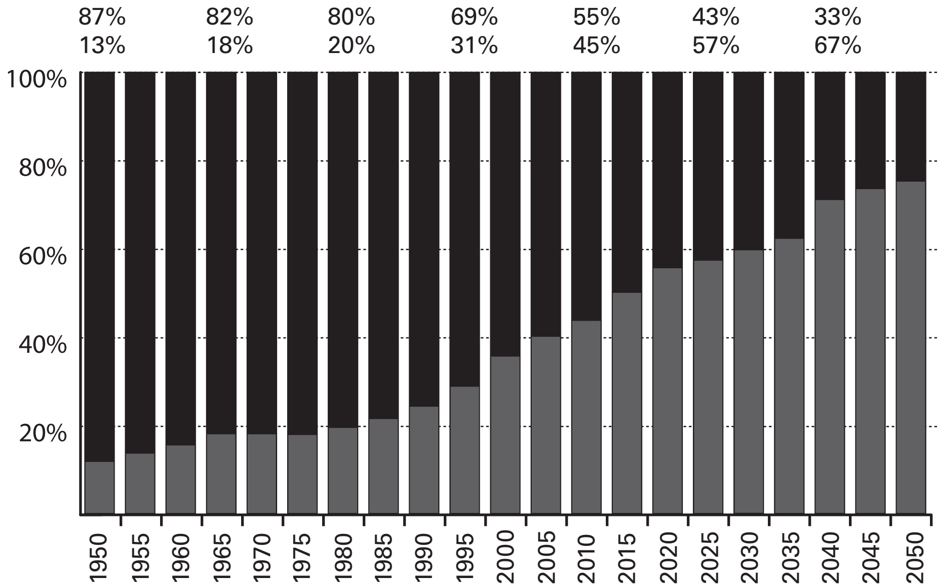
Rapid rates of population and urbanisation growth in China are compounding the effects of the GDP growth. The Chinese population continues to grow quickly, with an expected increase of nearly 100 million over the next 25 years. Furthermore, China's population is moving from rural to urban areas. As per September 2010, there were more metropolitan areas in China with over one million inhabitants than in any other country (approximately 80, and around 70 with over two million inhabitants) *(Source: Deutsche Bank, Consumer & Luxury Goods, "Luxury Goods – China & Japan Focus", September 2010)*. By 2020, half of the Chinese urban population will live in cities of more than one million inhabitants *(Source: BCG Report, "The Keys to the Kingdom", March 2010)*. The share of GDP generated by cities compared to the total GDP is expected to rise from 75% in 2009 to 95% by 2025 *(Source: McKinsey Global Institute, "Preparing for China's urban billion", March 2009)*.

The following table shows the historical and expected growth of the Chinese population in the period 2008 – 2014f:

	2008	**2009**	**2010**	**2011f**	**2012f**	**2013f**	**2014f**
Millions of persons	1,328.0	1,334.7	1,343.1	1,351.5	1,359.9	1,368.3	1,376.6
Percent change yoy	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%

Note: f = forecast
(Source: Global Insight)

The following table shows the historical and expected development of the relation of urban to rural population in the PRC in the years 1950 – 2050:



(Source: Worldbank)

At the end of 2008, the majority of the Chinese wealthy consumers (urban households with an annual income in excess of approximately EUR 25,000) were concentrated in the east and central south regions of the PRC, and around 30% live in China's four largest cities (Shanghai, Beijing, Guangzhou and Shenzhen). The ten largest cities are home to 50% of China's wealthy consumers, compared with around 25% in the ten largest US cities. Three-quarters of the growth in the wealthy consumer segment is estimated to come from consumers who do not currently live in the four largest cities. *(Source: McKinsey & Company, Insights China, "The coming of age – China's new class of wealthy consumers", 2009)*

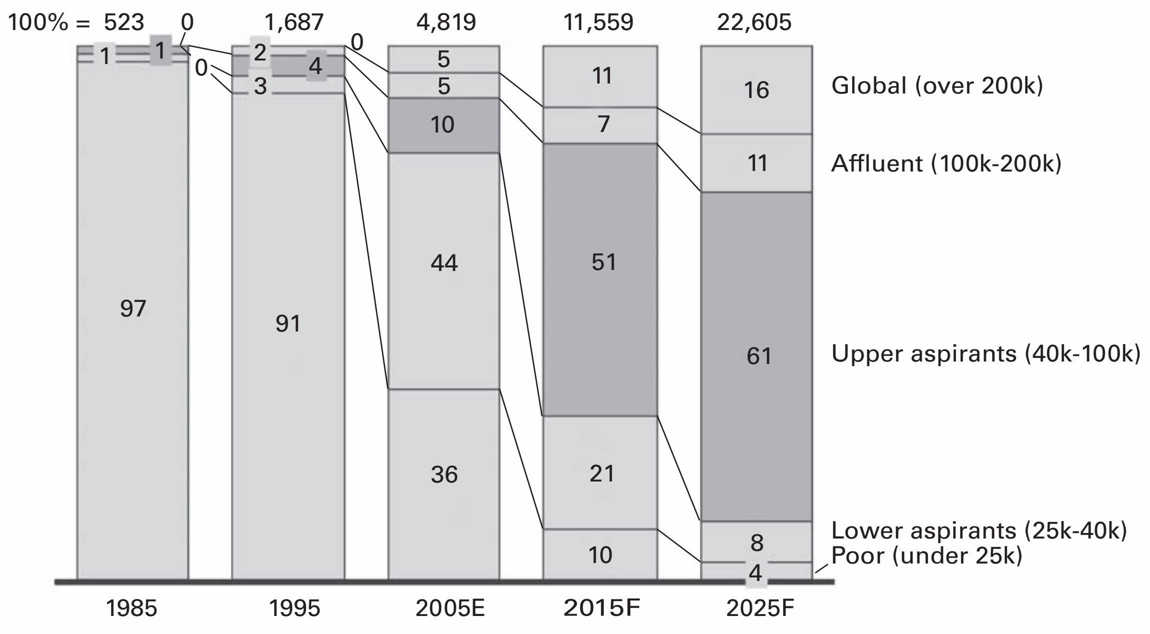
While Beijing, Guangdong and Shanghai are home to 48% of China's millionaires, China's second- and third tier(*) cities show an increasing importance for brands looking to enter the Chinese luxury market *(Source: Deutsche Bank, Consumer & Luxury Goods, "Luxury Goods – China & Japan Focus", September 2010)*.

Increase in Disposable Income – Rise of a New Middle Class

The urbanisation combined with population growth and a young population demographic has helped to create a new social class in China, from the low income class to the newly created mid-income classes, and rising per capita income, which is stronger for the urban population (CAGR of 12% from 2001 to 2008 vs. 10% for rural population) *(Source: Deutsche Bank, Consumer & Luxury Goods, "Luxury Goods – China & Japan Focus", September 2010)*.

In 1985, 99% of the urban population had a household disposable income of less that RMB 25,000 (approx. EUR 2,450) per year. By 2005, this portion decreased by almost 50%, and will continue to fall as large segments of the population move into the middle class (middle class comprises two segments: *lower aspirants* earning RMB 25,000 to RMB 40,000 (approx. EUR 2,450 to EUR 3,900) per year, and *upper aspirants* earning RMB 40,000 to RMB 100,000 (approx. EUR 3,900 to EUR 9,800) per year. The Chinese middle class is estimated to increase from 43% of the population in 2005 to 69% of the population by 2015 and to 76% of the population by 2025 or 612 million people. By 2025, the real aggregate urban disposable income in China is estimated to reach RMB 22.6 trillion (approx. EUR 2.6 trillion), 61% of which will be contributed by the upper-aspirant segment alone. *(Source: McKinsey Global Institute, "From 'Made in China' to 'Sold in China': The rise of the Chinese urban consumer", November 2006)*

The following table gives an overview of China's real urban annual disposable income by income class for 1985 compared to 1995, 2005 (estimated), 2015 (forecast) and 2025 (forecast) in 2000 RMB billion in percent:



(Source: McKinsey Global Institute, "From 'Made in China' to 'Sold in China': The rise of the Chinese urban consumer", November 2006)

(*) China categorizes cities into the following administrative levels: four municipalities directly under the Central Government (Beijing, Shanghai, Tianjin and Chongqing), 27 provincial capitals (Guangzhou, Hangzhou, Chengdu, etc.) and 310 prefecture cities. Within the municipalities, provincial capital's and prefecture cities' territories are 856 city-associated districts, 369 county-level cities and 1,600 counties. When doing business in China, multinational companies adopt different ways to prioritize these city markets according to their specific criteria. A common approach is to classify the four municipalities, 27 provincial capitals, and a handful of prosperous prefecture cities such as Shenzhen, Dalian and Ningbo as Tier 1 cities, the more than 300 prefecture cities as Tier 2 cities, the 1,200 city-associated districts and county-level cities as Tier 3 cities, and 1,600 counties as Tier 4 cities (Source: Bain & Company, "The race for "small" town China", 14 January 2009).

China's high net worth individuals ("**HNWI**", defined as individuals with assets to invest of USD 1 million or more) population has become the fourth-largest in the world in 2009. By 2009, China counts 477,000 HNWI (5% of the worldwide total 10 million HNWI in 2009) owning USD 2,347 billion or a share of 6% of the global HNWI wealth (worldwide total HNWI was wealth USD 39 trillion in 2009). In terms of assets, it has surpassed some key countries in Europe such as the UK and France. The average wealth per HNWI in China is around twice that in Japan and above the other mature countries. *(Source: Capgemini/Merril Lynch, "Global World Wealth Report 2010", June 2010; Capgemini/Merril Lynch, "Asia-Pacific Wealth Report 2010", September 2010)*

Chinese Luxury Market

The roll-out of luxury stores in China was heavily constrained prior to 2005 by the rule that foreign companies could not own 100% of a Chinese business. Foreign ownership restrictions have been progressively lifted and, following China's accession to the World Trade Organisation, effective December 2004, have been completely eliminated with regard to equity restrictions. As a result, the last five years have seen a rapid growth in directly operated luxury stores.

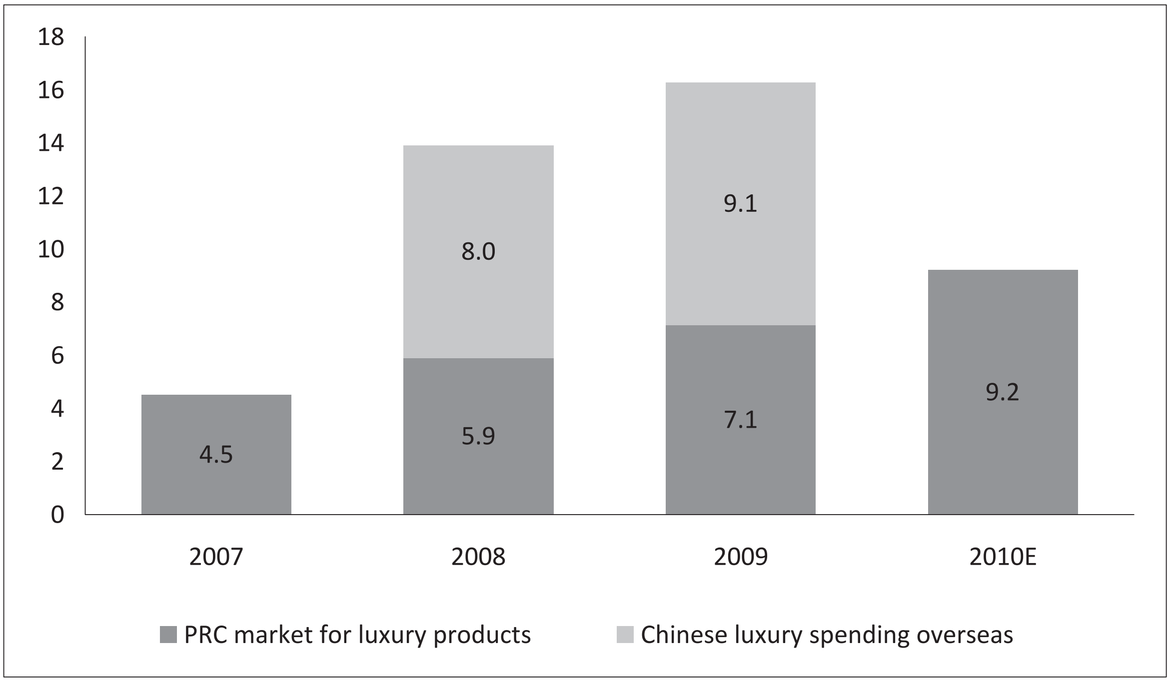
Based on the estimations of Bain & Company and Fondazione Altagamma, Greater China (i.e., the PRC, Hong Kong, Macau and Taiwan) was the third largest luxury market in the world in 2010 in terms of sales generated in the country (total sales EUR 17.5 Billion; the PRC sales EUR 9.2 billion, Hong Kong sales EUR 4.4 billion, Taiwan sales 3.2 billion, Macau sales EUR 0.7 billion) after US and Japan. The total amount of EUR 17.5 billion did not include spending on luxury goods by PRC consumers purchasing overseas. *(Source: Bain & Company/Altagamma, "Global Luxury Goods Worldwide Market Study 9th Edition", October 2010; Bain & Company/Altagamma, "China Luxury Market study 2010", November 2010)*

The PRC luxury market grew at a CAGR of 11% over the last six years (and 30% from 2006, after foreign ownership restrictions on retail trading in the PRC had been lifted effective from December 2004) *(Source: Deutsche Bank, Consumer & Luxury Goods, "Luxury Goods – China & Japan Focus", September 2010)*.

China's luxury market growth accelerated in the second half-year of 2009 and showed strong momentum in the first half-year of 2010. The PRC luxury market was expected to grow by 23% in 2010. Suitcases and bags were expected to continue to grow faster than other luxury goods, being the major choice for gifts. *(Source: Bain & Company/Altagamma, "China Luxury Market study 2010", November 2010)*

The majority of growth in 2010 (approx. 67%) was estimated to be generated by new customers. This development was based on the expansion of luxury brands to Tier 2 and 3 cities and the emerging middle classes in China. *(Source: Bain & Company/Altagamma, "China Luxury Market study 2010", November 2010)*

The following table shows the development of the Chinese market for luxury products in the years 2007 – 2010e and gives an overview of luxury purchases made by Chinese consumers overseas in 2008 and 2009 (in EUR billion; e – estimate):



(Source: Bain & Company/Altagamma, "Global Luxury Goods Worldwide Market Study 9th Edition", October 2010; Deutsche Bank, Consumer & Luxury Goods, "Luxury Goods – China & Japan Focus", September 2010)

The market for luxury products in the PRC has increased from EUR 5.9 billion in 2008 to EUR 7.1 billion in 2009 and to EUR 9.2 billion (estimated) in 2010. Additional purchases of luxury products made by Chinese consumers worldwide amounted to EUR 8 billion in 2008 and EUR 9.1 billion in 2009. Even though a shift to purchases of luxury products in the PRC has been perceived, Chinese consumers still make more than 50 % of purchases of luxury products overseas. This has been mainly based on lower prices, broader luxury product selection and better product availability overseas. *(Source: Bain & Company/Altagamma, "China Luxury Market study 2010", November 2010)*

The most important drivers behind the development of the Chinese luxury market are the increase of the number of potential consumers, due to demographics and urbanisation, and the rising purchasing power linked to the increase in disposable income per capita, based on the development of the Chinese GDP (see in this section: *"Overview of the Chinese Economy")*.

The Chinese luxury market is also mainly supply driven, i. e., the openings of new stores create new demand. The direct channel success (retail, online) is proving that engaging consumers in a bi-directional (i. e. customer relationship management and after-sales services) and entertaining (better services experience) relationship is the key to organic growth. *(Source: Bain & Company/Altagamma, "China Luxury Market study 2010", November 2010)*

The following six key trends can be identified in the Chinese market for luxury products:

- Domestic shopping increased in 2009 and 2010 (compared to shopping overseas). This resulted from further store openings of all luxury brands and the expansion of retail networks. Additionally, the timely availability of the latest collections in the PRC has improved and the consumer's service experience has been enhanced. Luxury brands have lowered their operating margins to narrow the price gap between China and other markets. Nevertheless, lower prices and better product selection remained the two most important reasons for overseas spending.
- Based on the proliferation of real estate development in Tier 2 and 3 cities, luxury brands have started to open new stores in those cities. Consumers' attitudes in Tier 2 and 3 cities have devel-

oped towards luxury and wealth and is therefore similar to the attitude of consumers living in Tier 1 cities. However, the shortage of suitable staff and rising labour costs are still hurdles for the establishment of new stores in Tier 2 and 3 cities.

- Consumers have become more sophisticated and now demand a better service experience both within and outside of China. The better service experience includes, inter alia, better customer relationship management and after-sales services. Luxury brands have continued to build large flagship stores to improve the consumer experience. Many retailers have started "buying back" franchise operations to regain control over the brand.
- The importance of online platforms continues to increase. International luxury brands have set up company websites (in Chinese) and online community (social networking) platforms which both remain critical marketing channels in China, particularly among consumers aged 25 to 44. The emergence of online factory outlets, overseas websites and third party agents are accelerating the internet sales growth although internet sales still only play a minor role.
- Luxury brands have made increased efforts to build up Chinese-themed campaigns and support for social welfare/non-profit causes to enhance the relevance of the luxury brands and connected images in Chinese consumers' eyes. China has also played a more important role in the global marketing programs of luxury brands.
- Gifts remained a significant driver of purchases of luxury goods in China and have become more diversified in the selection of brands and products with a rising popularity of anonymous cash cards.

(Source: Bain & Company/Altagamma, "China Luxury Market study 2010", November 2010)

In addition to the GDP growth, an increasing urbanisation and the above listed trends, there are some relevant country-specific features impacting the Chinese market for luxury products. These include a high savings rate (mainly because of concerns about health and education) and a general reluctance of Chinese consumers to use credit cards. The trend towards government policies improving spending on social services such as education and healthcare as well as a greater penetration of credit cards could free up some disposable resources in the middle class and be a positive psychological influence on the spending attitude of Chinese consumers. Moreover, luxury consumption in China is dominated by men as a result of the significantly greater proportion of male births, the culture of giving gifts, especially in business, and the concentration of wealth. *(Source: Deutsche Bank, Consumer & Luxury Goods, "Luxury Goods – China & Japan Focus", September 2010)*

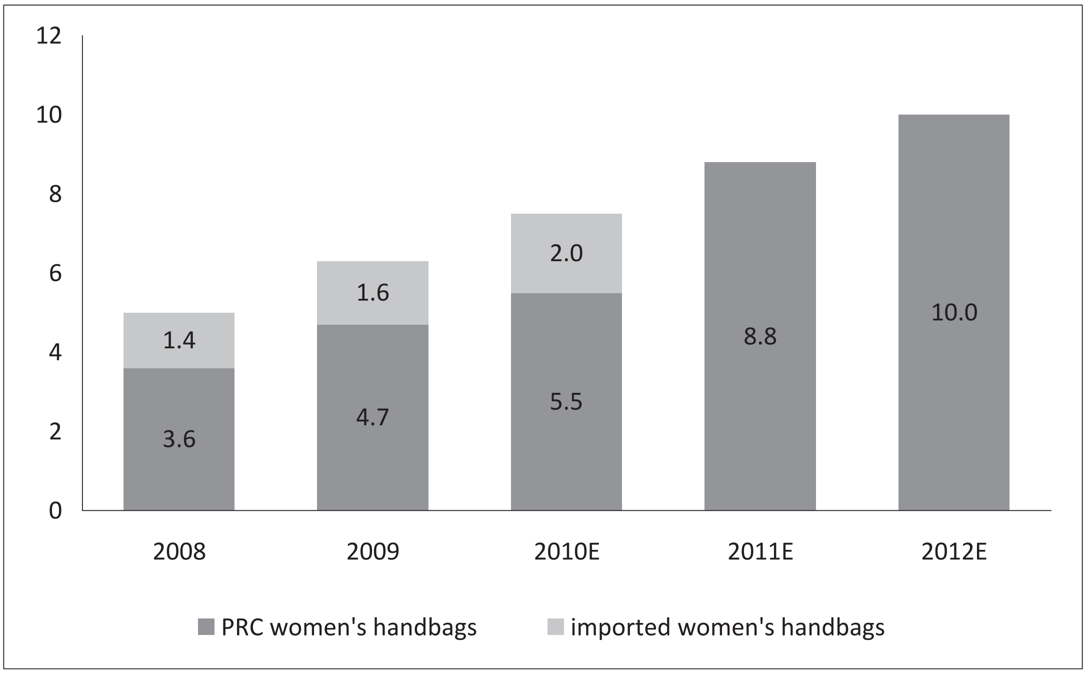
Overview of the Chinese Market for Bags and Luggage

According to Powerland's own market research, there is only limited reliable official data on the Chinese market for bags and luggage available. Investors should note that the following description of the Chinese market for bags and luggage is partly based on own estimations, assumptions and approximations made by Powerland.

For the purposes of this overview, the Chinese market for bags and luggage can be divided into (i) the market for women's handbags and (ii) the market for casual bags and luggage. Powerland's products sold under the "Powerland" brand in its Luxury Segment can be mainly categorized as products of the Chinese market for women's handbags. Powerland's products sold under the "Sotto" brand in its Casual Segment can be mainly categorized as products of the Chinese market for casual bags and luggage.

Overview of the Chinese Market for Women's Handbags

The following table shows the historic development of the PRC market for women's handbags (produced and sold in the PRC and imported) in the years 2008 – 2010e and the expected development of the PRC market for women's handbags in 2011 and 2012:



(Source: Beijing Industry and Economy Research Institute, State Information Center)

The market for women's handbags is the biggest segment of the PRC market for luggage and bags in terms of Chinese sales, import, and export. Based on the figures provided by the Beijing Industry & Economy Research Institute in 2010, the market size for women's handbags by retail sales value consists of sales in the PRC and imported handbags. The market size has increased continuously from EUR 5 billion in 2008 to EUR 6.3 billion in 2009 and to EUR 7.5 billion in 2010 (estimated). The market size is expected to further grow to EUR 8.8 billion in 2011 and to EUR 10 billion in 2012.

Compared with other light industrial sectors like apparel and footwear, China's market for women's handbags is fragmented. The China Leather Industry Association recorded that up to 31 December 2010, there were only 1,980 so-called upper scale enterprises (with an annual turnover of more than RMB 5 million) out of more than 15,000 manufacturers of finished and semi-finished bag products, raw material and bag accessories in this industry.

Women's Handbag Market Size and Segmentation in 2010

The Chinese market for women's handbags can be divided into (i) the high end segment with a retail sales price per unit of above EUR 750, (ii) the mid-high end segment with a retail sales price range per unit of between EUR 250 and EUR 750 (the combined segments of high end and mid-high end products form the luxury segment) as well as (iii) the mid-low end segment with a retail sales price range per unit of below EUR 250 (non-luxury segment).

High end segment

Based on Powerland's assessment, the high end segment of the market for women's handbags in the PRC had an estimated value of EUR 2.0 billion in 2010 (27.1 % of total market volume). International luxury brands like Hermes, Louis Vuitton or Chanel made up this segment. On average, these brands entered the Chinese market more than 15 years ago and have experienced large sales growth over the past years. The high end products are mainly imported from EU countries and a small percentage of products is manufactured in duty free export processing zones within Chinese key harbours and imported directly to China. Target consumers are wealthy Chinese individuals with strong brand loyalty and high awareness for fashion trends.

Mid-high end segment

Powerland's products sold under the "Powerland" brand in its Luxury Segment can be categorised as products of the mid-high end segment of the market for women's handbags in the PRC. Powerland estimates that the mid-high end segment of the market for women's handbags in the PRC had a value of EUR 1.0 billion in 2010 (13.2% of total market volume). International brands such as Coach, Why and Lancel and Chinese/Hong Kong manufacturers Powerland, Dissona and Cobo made up the mid-high end segment. Products of the mid-high end segment were either manufactured by OEMs or original design manufacturers in China. It is estimated that 70% of the products are made of genuine leather and 30% of other materials. The primary target consumers within this segment are upper middle class and middle class consumers.

Based on its market research and estimations, Powerland estimates that its own market share of the mid-high end segment (China made luxury bags) of the market for women's handbags in the PRC was 9.3% in 2010. Powerland estimates that its market share of the luxury segment (combined segment of high end and mid-high end products (Chinese and international luxury bags)) of the market for women's handbags in the PRC was 3% in 2010.

Mid-low end segment (non-luxury segment)

Powerland's handbags sold under its "Sotto" brand in its Casual Segment can be categorized as products of the mid-low end segment of the market for women's handbags in the PRC. Powerland estimates that the mid-low end segment of the market for women's handbags in the PRC had an estimated value of EUR 4.5 billion in 2010 (49.7% of total market volume). The mid-low end segment consists of 80 to 100 local brands. The key players in this segment are local Chinese companies and localised international players. Products in this segment are made of PU or PVC. Due to a lack of data sources and key players with a significant market presence and nationwide awareness levels, further segmentation and analysis of this segment is not possible.

Overview of the Chinese Market for Casual Bags and Luggage

Powerland's products sold under its brand "Sotto" of its Casual Segment mainly consist, in addition to handbags, of sporty and casual bags as well as travel bags and cases. The sporty and casual bags market in the PRC had an estimated retail value of EUR 890 million in 2010. Due to a lack of reliable, official information, it is not possible to provide more detailed information about the market for casual bags and luggage in the PRC.

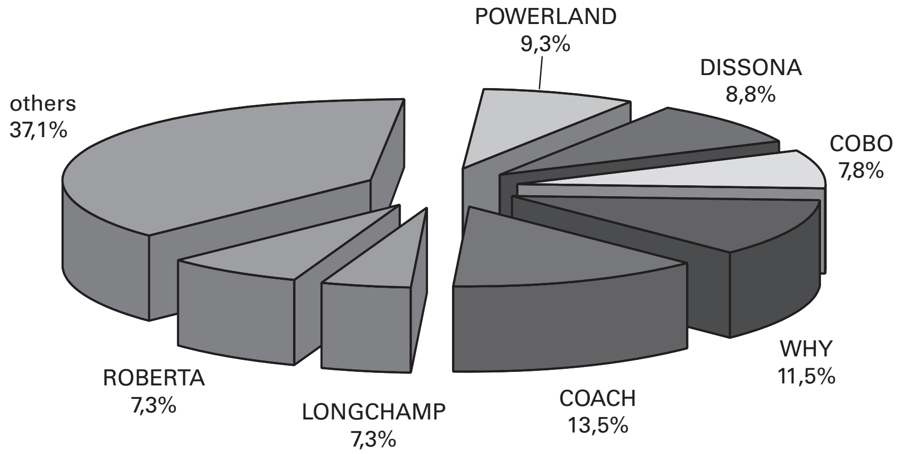
Competition and Competitors

Luxury Segment

The PRC market for luxury goods in general as well as the PRC market for luxury handbags and luggage is mainly controlled by international luxury brands. Based on Powerland's assessment, the key players in the high end segment of the market for women's handbags in the PRC are Louis Vuitton, Gucci, Hermes, Prada and Chanel. Since international luxury brands opened their first retail outlets in 1992 and thereafter, the market for women's handbags in the PRC has experienced significant growth.

Based on Powerland's assessment, the key players in the mid-high end segment of the market for women's handbags in the PRC are Coach, WHY, Powerland, Dissona and Cobo, representing approximately 51% of the market share in 2010.

The following table provides an overview of the key players in the mid-high end segment of the market for women's handbags in the PRC and their, attributable market share in 2010 based on own Company estimations:



Key competitor's profile

Powerland believes the following companies to be its major competitors in the mid-high end segment of the market for women's handbags in the PRC:

Coach (USA)

Coach, Inc. was founded in 1946 in the USA. In October 2000, Coach, Inc. was listed on the New York Stock Exchange. Coach's product offerings include handbags, women's and men's accessories, footwear, jewellery, wearables, business cases, sunwear, travel bags, fragrance and watches. By 2010, Coach operated 40 outlets in China.

WHY (Japan)

WHY was founded in 1971 in Japan. In April 1993, WHY founded Shanghai Fieldstone Bags Co., Ltd., as its first retail presence in China. By 31 December 2010, WHY opened 85 retail outlets as well as "Taobao.com" (a very popular Chinese customer-to-customer online trading platform).

Dissona (China)

Dissona was founded in Shenzhen, China in 1995. By 2010, Dissona opened 130 stores in China in 2010, including its own and franchised stores.

Cobo (Hong Kong)

Cobo was founded in Hong Kong in 1994 and started its business in Mainland China at the same time. By 2010, Cobo set up 115 of its own and franchised stores in China.

Roberta di Camerino

The brand "Roberta di Camerino" was founded in Venice, Italy in 1945. By 2010, Roberta di Camerino set up 54 of its own and franchised stores in China.

Longchamp

Longchamp was founded in Paris, France in 1948. By 2010, Longchamp set up 14 of its own and franchised stores in China.

agnès b.

Agnès Andrée Marguerite Troublé founded CMC (Comptoir Mondial de Creation), parent of the agnès b. label, in Paris in 1966. By 2010, agnès b. set up 24 of its own and franchised stores in China.

Casual Segment

The mid-low end segment of the Chinese market for women's handbags as well as the Chinese market for casual bags and luggage is fragmented with more than 15,000 manufacturers. Competition in the market for bags made of textile or synthetic leather for the mid-low end market is very intense and is mainly focused on product quality and price.

Based on Powerland's estimates, some of the key players in the mid-low end segment of the market for women's handbags in the PRC are Elle, Esprit, Hilly and L'alpina.

Based on Powerland's estimates, the key players in the market for casual bags and luggage in the PRC are Adidas, Nike, Li Ning, Puma, Jansport, Levi's, Samsonite, Crown and Diplomat.

BUSINESS

Overview

Powerland is engaged in the design, production, promotion and sale of a wide range of bags, travel cases and accessories. It operates two business segments, the Luxury Segment and the Casual Segment. Powerland's operating subsidiaries are based in the Fujian Province and the Guangdong Province in China.

In the Luxury Segment, Powerland is active in the luxury goods market in China and sells fashionable women's handbags, travel cases, wallets and purses and, since 2010, men's handbags, briefcases and belts, all made from genuine leather, under its premium brand "Powerland". The products in this segment target the mid- to high-end segment of the Chinese luxury bags and luggage market. Powerland collaborates with an Italian-based design studio to design its products, sources its own raw materials and other product components and outsources the manufacturing process to several original equipment manufacturers ("**OEM**") in China. Products from the Luxury Segment are distributed exclusively in China through a network of Powerland-branded retail points of sales (the "**Powerland Stores**") which are operated by independent distributors. As at 31 December 2010, Powerland's retail distribution network consisted of 110 Powerland Stores in total, including one flagship store in Beijing, five exclusive stores, mainly operated in shopping malls, and 104 designated Powerland sales areas in department stores (shop in shops). Powerland's products in the Luxury Segment have retail prices usually ranging from RMB 2,000 (EUR 229) to RMB 7,000 (EUR 802) and target the Chinese upper-middle class consumers. Powerland launched its Luxury Segment in early 2008 and has recorded significant growth in this segment since then. The number of Powerland Stores increased from 14 as at 31 December 2008 to 71 as at 31 December 2009, and to 110 as at 31 December 2010. Revenues within the Luxury Segment increased from EUR 3,429 thousand in 2008 to EUR 26,336 thousand in 2009 and EUR 52,847 thousand in 2010. Powerland's growth strategy is primarily based on a significant expansion in this segment.

In the Casual Segment, Powerland designs, manufactures and sells casual bags made of textile or synthetic leather, which target the Chinese and overseas mid- to low-end segment of the non-luxury bags and luggage market. Products include handbags, sport bags, backpacks, travel bags, laptop bags, tool bags, cooling bags, and accessories (e.g. wallets and purses). These products are sold under Powerland's second brand "Sotto", as unbranded white label products for supermarkets and department stores or, in cases in which Powerland acts as OEM manufacturer for international brands under third party brands. Products from the Casual Segment are distributed in China and to selected overseas markets through various distributors, including wholesalers and trading companies. Revenues within the Casual Segment increased from EUR 51,272 thousand in 2008 to EUR 55,840 thousand in 2009 and to EUR 59,788 thousand in 2010.

Powerland has experienced significant revenue growth in 2008, 2009 and 2010. Powerland's revenues increased from EUR 54,701 thousand in 2008 to EUR 82,176 thousand in 2009 and to EUR 112,635 thousand in 2010, corresponding to a compound annual growth rate ("**CAGR**") of 43.5% over this period. Powerland's net profits increased from EUR 10,813 thousand in 2008 to EUR 18,017 thousand in 2009 and to EUR 22,617 thousand in 2010, corresponding to a CAGR of 44.6% over this period. As at 31 December 2010, Powerland employed 1,075 employees.

Strengths

Powerland believes that the following competitive strengths are the main drivers of its future growth:

- **Active in a high-growth segment of the quickly growing Chinese retail and luxury goods market**: Powerland believes that sustained economic growth in the People's Republic of China ("**PRC**") is one of the most important reasons for rising domestic demand for luxury bags, in particular, women's handbags, which are Powerland's main products in its Luxury Segment. Driven by macroeconomic factors like growth of gross domestic product ("**GDP**") and continued urbanisation, general retail sales in China increased by 14.9% in 2008, by 16.3% in 2009, and by 14.5% in 2010 *(Source: Global Insight)*. According to the "Proposal about National Economic and Social Development" in the Twelfth Five-Year Plan issued on 27 October 2010 by the PRC Communist Party's central standing committee, "expansion of domestic demand" is one of the PRC government's key objectives.

The Chinese luxury market has, despite the worldwide economic crisis, kept growing particularly fast over the last few years, and increased by 31% in 2008, by 20% in 2009 and by an expected 23% in 2010 *(Source: Bain & Company/Altagamma, "Global Luxury Goods Worldwide Market Study 9th Edition", October 2010; Deutsche Bank, Consumer & Luxury Goods, "Luxury Goods – China & Japan Focus", September 2010)*, which exceeded general retail growth rates.

Powerland believes it is positioned within a particularly fast growing segment of the quickly growing Chinese retail market. This belief is underscored by the strong and steady revenue growth in Powerland's Luxury Segment since Powerland commenced its activities in this segment in early 2008.

- **Leading PRC luxury goods producer with individual designs and high-quality products**: Powerland believes that its products in the Luxury Segment are comparable in design and quality with those of major international luxury brands and that it is one of the leading China-based handbag brands. Powerland places particular emphasis on the individual international-style designs and the high quality of its products. Powerland believes that its Luxury Segment products are distinguished from the products of its Chinese competitors by their own, unique designs and their high quality. Powerland engages Studio Francesco Turchi, an Italian-based design company founded and managed by a former Gucci director of production, Francesco Turchi, to design its Luxury Segment products. Moreover, Powerland carries out stringent quality assurance procedures which have enabled it to achieve consistent quality in its Luxury Segment products.
- **Growing recognition as a luxury brand in the PRC**: Since 2008, Powerland has dedicated significant resources to brand promotion and marketing campaigns in order to position the Powerland brand in the Chinese market for luxury handbags. Alongside various advertising campaigns on national and regional television and in fashion magazines in the PRC, Powerland has engaged Ms. Michelle Lee, also known as Michelle Reis, a well-known model and actress in the PRC, as brand ambassador for its luxury handbags since 2007. Powerland believes that its consistent marketing and branding activities have steadily increased an awareness of the Powerland brand with Chinese consumers as a luxury brand in the mid- to high end market. This differentiates Powerland from the majority of its Chinese competitors and provides it with a first-mover advantage in the market for luxury handbags which is still in the early stages of development in the PRC. Powerland believes that its Powerland brand is so far the only handbag brand in China that has been granted both the status as a so-called "Chinese Well-known Trademark" as well as a so-called "Chinese Famous Brand". These awards underline Powerland's brand recognition in China. In 2010, Powerland opened an outlet in the Diaoyutai State Guesthouse, the PRC's national government's official guesthouse, and is one of only ten brands in the PRC that have so far been allowed to open shops in the Diaoyutai State Guesthouse.
- **Sizeable retail distribution network in the PRC**: Since Powerland commenced its business in the PRC market for luxury handbags in early 2008, it has been able to establish a substantial retail distribution network for its Luxury Segment. As at 31 December 2010, Powerland had a retail sales network of Powerland Stores consisting of 110 stores in total, including one flagship store in Beijing, five exclusive stores, mainly operated in large shopping malls, and 104 designated Powerland sales areas in department stores (shop in shops), covering 26 provinces, municipalities and autonomous regions nationwide. As the Chinese market for luxury goods is still mainly supply driven, the quick expansion of its retail distribution network has been critical for Powerland's success in the Luxury Segment. Powerland believes that the modern and appealing designs of the Powerland Stores will further strengthen the perception of the Powerland brand with Chinese customers as a producer of high-quality luxury leather bags.
- **Experienced and dedicated management team**: Powerland's management and other key operating personnel possess extensive operating and industry experience. Mr. Shunyuan Guo, Powerland's CEO, has over 15 years of experience in the Chinese and international textile and leather products industry coupled with a significant business network domestically and internationally. He has received numerous business awards in the PRC, including the Asian Brands Top 10 Innovator Award in 2007, the Top 10 Innovation Award for Excellence in China in 2007, and the Man of the Year in the Luggage Leather Industry of China award in 2009. He is Executive Director of the China

Leather Association and Vice President of the Associated Chinese Chambers of Commerce and Industry of South Africa. Mr. Yong Liang Guo, Powerland's Chief Production Officer, has been with Powerland for more than seven years and has served in various positions, most recently as general manager for production for textile and synthetic leather products. He has received a Master of Business Administration (MBA) degree from Zhongshan University in Guangzhou. Mr. Hock Soon Gan, Powerland's Chief Financial Officer, has over 15 years' experience of working in the financial services sector in the PRC, Malaysia and the USA. Most recently he was an audit partner and member of the management board of BDO Malaysia. Before that, he served as a senior audit manager at KPMG China and as the head of an audit division at KPMG Malaysia.

The Chairman of Powerland's Supervisory Board, Dr. Peter Diesch, served as Chief Financial Officer and member of the management board for various major German companies. He was, for example, Chief Financial Officer of Linde AG from 2004 until 2006.

Powerland believes that the experience of its management team and its dedication in implementing Powerland's business strategy have been instrumental in the growth and expansion of Powerland's operations.

Strategy

Powerland is pursuing the following strategic objectives:

- **Focus on the Luxury Segment**: Powerland intends to increase its focus on the Luxury Segment. While revenues derived from the Luxury Segment attributed approximately 47% to Powerland's total revenues in 2010, Powerland intends to increase this percentage to approximately 70% by 2013. To this end, Powerland intends to expand its product range in the Luxury Segment and increase its collaboration with the Italian design company Studio Turchi. While Powerland's main focus continues to be women's leather handbags, Powerland intends to increase its range of accessories, belts and wallets in order to diversify the product base in the Luxury Segment. Powerland is targeting an increase in the portion of revenues generated from the sale of other items than women's handbags in the Luxury Segment from 20% in 2010 to approximately 30–35% in 2013. In the longer term Powerland intends to add new products (such as leather jackets, leather shoes, perfumes, watches etc.) to the Luxury Segment. While the competition in the non-luxury segment of the Chinese bags and luggage market by competitors in the PRC is intense, Powerland believes that its PRC competitors in the luxury segment of the Chinese bags and luggage market do not yet place great enough emphasis on building and fostering a brand, which creates an attractive opportunity for Powerland. In addition, Powerland believes that its Luxury Segment will continue to benefit from the strong growth of the PRC market for luxury goods. Therefore, Powerland believes that the Luxury Segment will continue to offer significant growth potential, both in terms of revenues and in terms of profitability. Powerland's Casual Segment plays an important role and Powerland intends to continue its activities in this segment, which provides steady revenues and cash flows, that can be utilised for the expansion of the Luxury Segment.
- **Expand the retail distribution network and strengthen the market presence in the PRC**: Powerland believes that the Chinese market for luxury handbags is to a large extent supply driven, meaning that opening more stores creates further consumer demand. Powerland intends to increase its market presence in the PRC by expanding its retail distribution network with a focus on Tier 1 and Tier 2 cities in the PRC. To this end, Powerland intends to open approximately 70 self-operated stores with a size of between 100 sqm to 160 sqm at prime locations, such as main shopping districts, shopping malls and airports within the next three years. The focus for new shop openings will be in regions where Powerland's distributors already operate Powerland Stores. The new self-operated stores will include approximately 50 self-operated flagship stores and other exclusive stores at top locations, and approximately 20 airport stores. The stores will play a key role in strengthening the Powerland brand. Powerland intends to gain greater control over marketing activities, brand communication, and pricing, to improve margins, and to operate these stores itself in order to obtain direct and timely insights into consumer trends and preferences. Powerland intends to purchase the business premises for approximately half of the newly opened self-operated stores, in particular of the flagship stores, and to rent premises for the remaining new self-operated stores. Powerland believes that ownership of stores at strategic locations is

important in order to gain and maintain long-term access to such locations as these locations are under high demand given the expected strong growth of the Chinese consumer market.

In addition to this, Powerland intends to increase the total number of retail outlets operated under the Powerland brand by independent distributors from 110 as at 31 December 2010 to approximately 160 by the end of 2011, 195 by the end of 2012, and 230 by the end of 2013. In particular, Powerland intends to open retail points of sales in well-known shopping malls in its major strategic markets in Tier 1 and Tier 2 cities of the PRC. The additional stores will partly be operated by independent distributors from Powerland's existing distributor base, but also by additional adequately qualified distributors, which Powerland intends to identify and contract for this purpose.

Should such opportunities arise, Powerland may also consider acquiring some of its independent distributors in order to maximize profitability through higher margins, and to increase control over its retail outlets with respect to brand communication, direct marketing activities, retail pricing, and customer feedback.

- **Further invest in marketing and enhance brand image and recognition**: Powerland aims to become a leading brand in the PRC for luxury leather bags and accessories. With rising living standards in the PRC, Powerland expects the PRC market for luxury bags to continue growing. Powerland believes that brand image and recognition are key factors in enhancing its presence in this market. Powerland believes that the PRC industry for luxury bags is, except for international luxury brands, in an early stage of development and lacks large domestic players. With the positioning of its brand in recent years, Powerland believes it has captured a first-mover advantage over PRC competitors. In order to capitalise on and strengthen this position, Powerland intends to invest in the marketing and promotion of the "Powerland" brand by developing and launching marketing campaigns, including advertising in various media, focusing on fashion magazines and prime time TV spots. Powerland believes that by implementing such branding and marketing initiatives, coupled with its continued emphasis on product quality and international-style design and enlarged and more visible retail distribution network, it can further enhance its brand reputation, become a trendsetter and achieve greater customer recognition and loyalty towards its brand and products, as well as higher average selling prices over time.
- **Establish production capability and gain closer control of production processes in the Luxury Segment**: A key element of Powerland's growth strategy is to expand its production capability for its Luxury Segment products and build up internal competence and expertise. To this end, Powerland intends to invest in production equipment and other supporting facilities for leather made luxury handbags in order to establish production lines in Guangzhou for the production of leather-made handbags. Even though Powerland only intends to produce a very limited portion of its Luxury Segment products in-house, having its own production capabilities for the Luxury Segment products will allow Powerland to shorten delivery times for certain urgent product orders from its distributors for top-selling products.
- **Continue to emphasise design and product development capacity and further strengthen Powerland's design expertise and technical know-how**: Powerland intends to further strengthen its design and product development capacity and capability in order to develop new products and improve the quality of Powerland's products, which Powerland believes is essential in order to adapt to changing consumer preferences. To this end, Powerland intends to significantly invest in additional design and research and development equipment, and to hire additional design and product development staff. Powerland has recently extended its design contract with its Italian-based design partner Studio Turchi by another five years and Mr. Turchi will spend a substantial amount of time in China each season and work closely with Powerland's in-house design staff.

History

Some milestones in Powerland's history include:

1996 Powerland's CEO, Mr. Shunyuan Guo, commences his activities in the business of distributing bags in the PRC and South Africa.

2003 Mr. Shunyuan Guo registers the trademark "Powerland" in the PRC.

Powerland Fujian is incorporated and commences production of textile products.

Powerland commences sales of Powerland branded products in the PRC.

2005 Powerland Guangzhou is incorporated and commences production of synthetic leather products.

2007 Powerland commences its co-operation with Studio Francesco Turchi, an Italian design studio owned and managed by Francesco Turchi, a former director of production of Gucci.

Powerland engages model and actress Michelle Reis (also known as Michelle Lee) as brand ambassador.

2008 Powerland launches the sale of products in its Luxury Segment in the PRC, accompanied by a comprehensive marketing campaign.

2010 Powerland Hong Kong is incorporated.

2011 Powerland AG is incorporated.

Products

Powerland operates two business segments, the Luxury Segment and the Casual Segment.

Luxury Segment

Products from the Luxury Segment include women's handbags, travel cases and wallets and, since 2010, also men's bags and belts. The main target end customers in the Luxury Segment are 25 to 45 years of age with an annual income of between EUR 4,580 (RMB 40,000) and EUR 22,900 (RMB 200,000) per year who live in the Tier 1 and Tier 2 cities of the PRC. These persons, in Powerland's opinion, are particularly influenced by western lifestyles and fashion trends, and put particular emphasis on branded products.

Retail prices for Powerland's handbags in the Luxury Segment are usually between RMB 2,000 (EUR 229) and RMB 7,000 (EUR 802). A small number of high-end luxury handbags from the Luxury Segment are priced at more than RMB 7,000 (EUR 802). This is below the price of comparable products of top international luxury brands. Purses and belts are mainly sold at retail prices of between RMB 500 (EUR 57) and RMB 1,000 (EUR 115).

Products from the Luxury Segment are predominantly made of genuine leather, mostly cow leather, and, to a smaller extent, of sheep leather. Some exceptional high-end products are also made of crocodile leather and sold in Powerland's Beijing flagship store for retail prices of approximately RMB 40,000 (EUR 4,580).

Powerland has three main product lines in its Luxury Segment:

- Classic: The classic product line includes classic luxury leather products. This product line covers the whole target customer group of Powerland's Luxury Segment.
- Fashion: The fashion product line targets customers of 25 to 35 years of age and includes fashion avant-garde and popular seasonal styles.

- Leisure: The leisure product line includes trendy and practical leisure products and also targets the full customer range of Powerland's Luxury Segment.

Powerland launches new product series twice a year, according to the fashion seasons. A product series usually consists of between two and six, but usually three, individual items, such as handbags in various sizes, wallets, and purses. The spring/summer season lasts from March until September, the autumn/winter season from October until February. Products for the autumn/winter season tend to have darker colours, and are made to match autumn/winter clothes. Bags tend to be larger than the ones from the spring/summer season. Powerland launches approximately 60 new bags and compatible accessories like wallets and purses, i. e. approximately 20 new product series, for the Luxury Segment per season. Besides its seasonal products, Powerland also markets certain longer running product lines.

Products from the Luxury Segment are exclusively sold in the PRC under the Powerland brand, often coupled with the logo "PLD" imprinted on the products. Powerland has used the brand "Powerland" and its logo "PLD" since 2003, originally for both the Luxury Segment and the Casual Segment. Since 2008, the Powerland brand and the "PLD" logo have primarily been used for Powerland's Luxury Segment Products, and Powerland intends to exclusively use them for the Luxury Segment in the future.

The annual production output of products from Powerland's Luxury Segment in 2010 was approximately 734,000 units.

Casual Segment

Powerland's products in the Casual Segment comprise casual bags and accessories made of textile or synthetic leather.

Powerland's textile products include handbags, sport bags, backpacks, travel bags, laptop bags, tool bags, cooling bags and accessories (wallets, purses). Textile products are usually designed for leisure, sports and outdoor activities.

Powerland's synthetic leather products are made of PU (Polyurethane) and PVC (Polyvinyl chloride) that are thermoplastic polymers commonly used for the production of synthetic leather products. Synthetic leather based products have a plain and glossy surface, and, are commonly lower priced products that resemble leather products. Powerland's product range for synthetic leather products encompasses women's handbags, men's bags, suitcases, briefcases, and accessories (wallets, and purses).

Products from the Casual Segment are sold under Powerland's second brand "Sotto", as unbranded white label products for supermarkets and department stores or, in cases in which Powerland acts as OEM manufacturer for international brands, under third party brands. There are no clear-cut product series in the Casual Segment as in the Luxury Segment because Powerland predominantly produces these products based on orders received from its customers (See: "*Business – Production – Casual Segment*").

The usual retail prices in the PRC for Sotto products are between RMB 100 and RMB 400.

The annual production output of products from Powerland's Casual Segment in 2010 was approximately 9,539,000 units.

Distribution

Luxury Segment

Products from the Luxury Segment are exclusively sold in the PRC.

Retail distribution network

Powerland has a network of Powerland Stores in which only products from Powerland's Luxury Segment are offered. Powerland Stores are operated by independent retail distributors (the "**Retail Distributors**"). As at 31 December 2010, Powerland had distribution agreements with 42 Retail Distributors which operated 110 Powerland Stores in 26 provinces, autonomous regions and municipalities of the PRC, including many Chinese Tier 1 and Tier 2 cities such as Beijing, Shanghai, Guangzhou, Tianjin, Hangzhou, Chengdu and Chongqing. In 2010 the top-five cities in Powerland's Luxury Segment were Beijing with 21 Powerland Stores and 15% of revenues, Tianjing with six Powerland Stores and 9% of revenues, Hefei with six Powerland Stores and 6% of revenues, Shanghai with five Powerland Stores and 6% of revenues and Chengdu with three Powerland Stores and 5% of revenues. Powerland's retail network of Powerland Stores consists of one flagship store in Beijing, five exclusive stores, mainly operated in large shopping malls, and 104 designated Powerland sales areas in department stores (shop in shops).

Powerland currently operates one flagship store in Beijing's financial district with a sales area of approximately 150 sqm. Powerland's flagship store displays the broadest range of Powerland's seasonal Luxury Segment products and also offers certain exceptional high-end products.

Exclusive Powerland Stores are located in major shopping malls or selected shopping districts in major cities of the PRC, such as Xiamen, Putian, and Fuzhou airport, and usually have sales areas of approximately 50–150 sqm. They display a large selection of products from Powerland's current Luxury Segment product series.

Designated Powerland sales areas (shop in shops) are operated in large department stores, sized approximately 25–40 sqm. They display selections of Powerland's current product series from the Luxury Segment, the range of which depends on local trends which are determined by the local distributors. Payments are made over general counters in the department stores.

In addition to its regular Powerland Stores, Powerland has two specific outlet stores in Beijing and Shanghai, both operated by independent distributors, in which products from previous seasons are sold at discount prices.

Powerland also has one store in the PRC's national government's official guesthouse, the Diaoyutai State Guesthouse, in Beijing, which is owned and managed by an independent distributor. Powerland is one of only ten brands in the PRC that have been allowed to open shops in the Diaoyutai State Guesthouse.

Powerland outsourced the operation of the Powerland Stores to the independent distributors in the initial expansion phase of its Luxury Segment as this was less working capital intensive and required less management capacity. Powerland believes that its strategy of establishing a retail network of shops run by independent distributors has enabled it to achieve fast market penetration in the PRC at relatively low cost and risk. Going forwards, Powerland intends to operate a portion of the Powerland Stores itself (see: "*Business – Strategy – Expand the retail and distribution network and strengthen the market presence in the PRC*").

Retail Distribution Agreements

Powerland enters into agreements with its Retail Distributors based on its standard form retail distribution agreement (the "**Retail Distribution Agreements**"). Based on the Retail Distribution Agreements, the Retail Distributors purchase the Luxury Segment products from Powerland and sell them on to the end customers on their own account. Powerland stipulates ranges for the retail prices to be charged for its Luxury Segment products in the respective Retail Distribution Agreements.

Retail Distributors usually order products approximately six months prior to the beginning of a season, which is also the time when Powerland submits its production orders to OEM manufacturers for its Luxury Segment products. If sales of a specific product from the Luxury Segment are going particularly well, Retail Distributors will order additional Luxury Segment products from Powerland, in which case Powerland places additional production orders with its OEM manufacturers.

Powerland assists the Retail Distributors in finding suitable locations and setting up new Powerland Stores. Powerland provides the interior and exterior designs for the stores and pays its Retail Distributors a discretionary store fitting subsidy of between RMB 200,000 (EUR 22,900) to RMB 650,000 (EUR 74,425) per Powerland Store, depending on the size of the respective store. In the past, the average store fitting subsidy per Powerland Store was RMB 250,000. As Powerland places great emphasis on attractive locations and consistent fitting of the Powerland Stores with modern and alluring displays and furnishings; Powerland's approval of the location and furnishing is required before opening a new Powerland Store.

Powerland provides a training programme for all of its Retail Distributors and their store managers which covers topics such as Powerland's products, brand culture, shop displays, window decoration, basics about the luxury handbag industry and competitors. Staff training is conducted before the openings of new Powerland Stores. Follow-up training is conducted once or twice a year in various regions of the PRC.

Powerland's standard form retail distribution agreement blocks the Retail Distributors from distributing any of Powerland's competitors' products.

The Retail Distribution Agreements have a term of one year without automatic renewal. Powerland usually takes a decision regarding the extension of the term approximately three months before the expiry of the agreements based on an assessment of the respective Retail Distributor's performance.

Distributors Meetings

Twice a year, approximately six months before the beginning of a new product season, Powerland conducts meetings where sample Luxury Segment products for the new season are presented and the Retail Distributors place initial non-binding orders.

Powerland also gets in contact with potential new distributors at trade fairs and at its annual brand conference. Powerland's decision regarding an agreement with new distributors is based on various criteria such as financial strength, management ability, size of distribution outlet network, marketing capability, reputation, as well as willingness to cooperate.

Bulk Sales

Powerland's products are also sold in bulk to government departments or corporate customers, who predominantly use Powerland's Luxury Segment Products as gifts for official guests, employees or customers. Bulk sales are made via Powerland's Retail Distributors. Powerland considers these bulk sales, in particular to governmental agencies, which in total employ approximately 40 million civil servants in China, to be an important part of its distribution strategy. Powerland believes that as a domestic Chinese brand with high quality products that has been awarded the Chinese Well-known Trademark award, it has a competitive advantage to make such bulk sales.

Delivery of products to distributors

While most of the finished Luxury Segment products will be delivered directly from the OEM manufacturers to Powerland's Retail Distributors, Powerland also maintains its own warehouse, where it keeps certain amounts of its Luxury Segment products in stock in order to serve limited orders made at short notice to Retail Distributors. Powerland engages external logistics companies to pick up the products from the OEM manufacturers or Powerland's warehouse and deliver to the location designated by the Retail Distributors.

Direct Sales and Online Store

To a small extent, Powerland also makes direct sales, predominantly to international and national retail chains.

Powerland intends to launch an online store in the first half of 2012. The online store will be available via Powerland's website (www.powerland.ag), enabling retail customers to purchase products from the Luxury Segment online directly from Powerland.

After-Sales Services

Powerland and the Retail Distributors are jointly responsible for Powerland's comprehensive after-sales services, which include return and repair services. Powerland gives a three month cleaning and repair services warranty on all of its Luxury Segment products. Any repairs are carried out by Powerland, or, if a repair is not possible for Powerland, by the OEM producers. Powerland also operates a hotline for customers, on which customers can request after-sales services or inform themselves about shop locations and product updates.

For customers purchasing items for more than RMB 3,000 on one shopping trip at Powerland Stores, Powerland offers a VIP membership entitling the member to a 5% discount on Powerland's products.

Casual Segment

Textile products are mainly sold in China with only a small number being exported, while synthetic leather products are predominantly exported, mostly to South Africa and neighbouring countries, the United Arab Emirates (Dubai) and Australia. Powerland sells its Casual Segment products to its distributors, including wholesalers and trading companies, who will sell them on to their customers under the "Sotto" brand, under third party brands, or as white label products to supermarkets and department stores. As at 31 December 2010, Powerland had 35 PRC distributors and eleven international distributors for textile products, and two PRC and eight international distributors for synthetic leather products.

Customers

Most of Powerland's major customers are national and international distributors of its products.

Luxury Segment

Powerland's top five customers in the Luxury Segment in 2010 were:

Name of customer (anonymised)	Business of customer	Length of relationship	As a percentage of Powerland's sales (%) 2008	2009	2010
Customer 1	Wholesale and retail	2 years	0	8	8
Customer 2	Wholesale and retail	3 years	1	1	4
Customer 3	Wholesale and retail	1 year	0	0	4
Customer 4	Wholesale and retail	2 years	0	4	3
Customer 5	Wholesale and retail	1 year	0	0	2

Casual Segment

Powerland's top five customers in the Casual Segment in 2010 were:

Name of customer (anonymised)	Country	Business of customer	Length of relationship	As a percentage of Powerland's sales (%)		
				2008	2009	2010
Customer 1	PRC	Wholesale	More than 3 years	16	14	12
Customer 2	PRC	Wholesale	More than 3 years	15	13	11
Customer 3	South Africa	Wholesale	More than 3 years	10	5	7
Customer 4	South Africa	Wholesale	2 years	0	2	2
Customer 5	PRC	Wholesale	More than 3 years	2	1	2

Design/R&D

Powerland operates three design and R&D centres in the PRC and, for its Luxury Segment, closely co-operates with an independent Italian design house, Studio Francesco Turchi ("**Studio Turchi**").

In order to keep track of recent market developments in the international bag industry, Powerland regularly participates in various exhibitions and trade fairs, in particular in exhibitions in Italy and France. Powerland believes that adopting international-style designs has helped to create Powerland's own, individual style.

Luxury Segment

Powerland makes significant investments in design and innovation for its Luxury Segment products every year. Powerland's R&D expenses for its Luxury Segment products were EUR 1,632 thousand in 2008, EUR 3,015 thousand in 2009, and EUR 3,183 thousand in 2010, corresponding to 3.0%, 3.7%, and 2.8% of Powerland's revenues in the respective years.

Collaboration with Studio Francesco Turchi

Powerland engages Studio Francesco Turchi ("**Studio Turchi**"), an independent Italian design company owned by Francesco Turchi, former director of production of Gucci, to design its luxury leather products.

Studio Turchi designs 60 new bags and compatible accessories like wallets and purses, i.e. approximately 20 new product series, per season.

Studio Turchi provides the first designs for each product based on recent international fashion trends, and is involved in the selection of raw materials and OEM manufacturers to be used for the production of the final Luxury Segment product. The final design of each of Powerland's Luxury Segment products is decided in close consultation between Powerland's design team and Studio Turchi.

The following table provides an overview of the usual timeline for the design process of Powerland's Luxury Segment products:

Months before commencement of new season	Action
18	Studio Turchi provides first design.
12	Studio Turchi and Powerland's in-house design team agree on the final design and raw materials to be used.
	Commencement of selection of and commissioning raw material suppliers and OEM manufacturers.
12–6	Product samples are prepared (majority by Powerland's design team but some by Studio Turchi).
6	Seasonal distributors meeting at which sample products for new Luxury Segment products are presented.
	Retail Distributors make non-binding initial orders for Luxury Segment products.
6–0	Retail distributors make actual badge orders for Luxury Segment products.
	New Luxury Segment products are manufactured by OEMs.
2–0	Delivery of Luxury Segment products to Retail Distributors.
0	Launch of new Luxury Segment product series.

The intellectual property rights relating to the designs created by Studio Turchi for Powerland's products are assigned to Powerland, and Powerland has exclusive rights to use them in the PRC and worldwide. Even though Studio Turchi is not exclusively bound to Powerland but also designs for other international luxury brands, it is contractually prohibited from designing for other PRC handbag manufacturers.

Powerland has collaborated with Studio Francesco Turchi since 2007. Under a new design agreement dated 19 February 2011 (the "**Design Agreement**"), the collaboration with Studio Turchi was renewed. The Design Agreement has a term of five years and is effective from 1 July 2011 until 30 June 2016 (see: "*Business – Material Agreements – Design Agreement with Studio Turchi*"). Powerland believes that its long-term alliance with Studio Turchi is an important factor for successfully establishing and maintaining its reputation as a brand for luxury leather bags in the PRC.

Powerland's design centre in Guangzhou

Powerland's design centre for its Luxury Segment is located in Guangzhou, Guangdong province, PRC, and, as at 31 December 2010, consisted of 16 employees. Powerland's design team decides upon the final designs of the Luxury Segment products in consultation with Studio Turchi. Powerland's design team in particular takes into account production requirements, available raw materials, and Chinese market requirements. Powerland's Guangzhou design team is also responsible for preparing first samples of the new Luxury Segment products. In consultation with Studio Turchi, the Guangzhou design team is also responsible for identifying suppliers for the new Luxury Products.

Casual Segment

Products from Powerland's Casual Segment are designed by two in-house design teams located in Putian, Fujian province, and Guangzhou, Guangdong province, PRC. As at 31 December 2010, Powerland's in-house design team consisted of 32 designers in total. The design team in Putian is responsible for the designs of Powerland's textile products, while the Guangzhou design team designs synthetic leather products.

Designs for Powerland's Casual Segment products focus on functionality (in particular with respect to textile products) and on fashionability and trendiness (in particular with respect to synthetic leather products). Designs for Casual Segment products are created by Powerland, but distributors may ask Powerland to provide them with specific products, or adapt designs proposed by Powerland to their needs. Powerland's design teams for the Casual Segment design approximately 100–120 new textile products, and 160–200 new synthetic leather products per year. Product designs are decided upon in close consultation with the respective distributors. In order to avoid price competition between distributors, different designs are used for each distributor.

Marketing

Luxury Segment

One of Powerland's main strategic objectives is to increase Powerland's brand awareness on the Chinese market for Luxury Segment products. Therefore, Powerland places great emphasis on the marketing and branding of its products. In line with marketing practices of top international brands, Powerland advertises its Luxury Segment products in a variety of media, including TV, internet, and fashion magazines. In 2010, Powerland was one of the official gift suppliers at the Shanghai Expo.

Powerland's marketing costs, including costs for advertising, for 2008, 2009, and 2010 were EUR 5,114 thousand, EUR 7,529 thousand, and EUR 8,165 thousand, respectively, corresponding to 9.3%, 9.2%, and 7.2%, respectively, of Powerland's revenues, or 149%, 29% or 15%, respectively, of revenues in the Luxury Segment. Almost all of Powerland's marketing expenses relate to the marketing of its Luxury Segment products. Powerland intends to continue its policy of focused marketing and branding efforts, and plans to invest approximately 12.5% of revenues generated in the Luxury Segment in advertising and promotion (including 1% of revenues for sponsorship fees granted to distributors for opening new Powerland Stores).

Powerland's advertising costs are predominantly spent on TV commercials, and on advertisements in fashion magazines, such as "SELF", "Harper's Bazaar", "Ray", "VOGUE", as well as airline magazines, such as "China Civil Aviation", "Xiamen Airlines", "Shenzhen Airlines", and "Shanghai Airlines". A relatively small amount is spent on advertising on the internet. Powerland is the first Chinese handbag brand which advertised its products on Chinese national TV CCTV and Satellite TV. In addition, Powerland conducts sales events in Powerland Stores (e.g. small shows for customers when new collections are launched). From 2011 onwards, Powerland intends to spend approximately 40% of its marketing budget on TV commercials, 30% on internet and print advertising and 30% on sales events in Powerland Stores. Of the marketing budget for internet and print media, approximately 90% is intended to go into advertisements in print media (thereof 80% in fashion magazines and 20% in industry and local magazines).

Powerland sees the first and second tier cities in the PRC, including Beijing, Shanghai, and Guangzhou and the North-East of China, where western culture has already influenced the Chinese consumer's taste to a significant degree, as its main strategic markets. As Powerland's target customers come from the upper middle class and are between 25 and 45 years of age, Powerland's branding and marketing activities mainly target this group.

In order to promote its products and the Powerland brand, Powerland also conducts brand press conferences as well as new product release events and participates in international trade fairs and exhibitions of the luggage industry.

Brand Ambassador Michelle Reis

Powerland engages Michelle Lee, also known as Michelle Reis (Chinese Name: Li Jiaxin), as Powerland's brand ambassador for its Luxury Segment. Michelle Reis is a model and actress. She is particularly well-known in China and Hong Kong. She is a former Miss Hong Kong (1988) and Miss Chinese International (1989). Based on an advertising agreement concluded with Ms. Michelle Reis' agency, Paciwood Music & Entertainment Limited, on 19 January 2010, Ms. Reis carries Powerland bags at five public appearances, and conducts a video shoot and three photo shoots for Powerland's advertising campaigns. The agreement has a validity of two years commencing with the release of the first advertisement with Ms. Michelle Reis, however, no longer than 30 March 2012.

Casual Segment

Powerland does not engage in specific advertising for its Casual Segment products. Products from this segment are mainly marketed by Powerland's product catalogue, which Powerland sends to its distributors twice a year. Distributors either directly order products listed in the catalogue or request products with slightly adapted designs, based on their respective needs. In addition, Powerland markets its Casual Segment products at trade fairs.

Production

Luxury Segment

Powerland has outsourced the production of leather-based products, in particular, the production of handbags for its Luxury Segment, to third-party OEM manufacturers (see: "*Business – Supply – Luxury Segment – OEM manufacturing*"). In the future Powerland intends to establish its own production lines for manufacturing leather products for its Luxury Segment to a limited extent, mostly in order to be able to serve short lead time customer orders for its Luxury Segment products. The OEMs manufacture the final products based on the design specifications given by Powerland and Studio Turchi.

Powerland places orders with its OEMs based on product orders received from its Retail Distributors. The OEMs mainly work on the basis of framework contracts with prices being agreed for six month periods. Finished products will be delivered from the OEMs directly to Powerland's Retail Distributors (see: "*Business – Distribution – Luxury Segment – Delivery of Products to Retail Distributors*"). The usual lead time between receipt of order and dispatch of products at Powerland's OEMs is approximately 45 days.

Casual Segment

Overview

Powerland produces most of its products for its Casual Segment in-house. Less than 10% of the production of products from the Casual Segment is outsourced to independent OEMs.

Textile products are produced in Powerland's production facilities in Putian, Fujian province, China, while synthetic leather products are produced in Guangzhou, Guangdong Province, China.

Powerland assesses its production needs based on orders received from its distributors. Distributors usually place large orders at the beginning of each season. Further orders for specific products are made during the seasons depending on the development of sales of the specific product.

Supply

Luxury Segment

OEM Manufacturing

Powerland has outsourced the production of leather-based products, in particular, the production of handbags for its Luxury Segment, to third-party OEMs. All of Powerland's OEMs are located in Guangdong province, which is one of the main regions in the PRC for the production of leather-made products. Powerland's OEMs also produce luxury leather products for other international luxury brands.

As at 31 December 2010, Powerland had 11 OEMs producing its Luxury Segment products. The following table presents Powerland's top eight OEMs (anonymised) for Luxury Segment products 2010:

Number	Location	Length of relationship (years)	As a percentage of Powerland's total cost of sales (%)		
			2008	2009	2010
1	Guangdong	1	n/a	n/a	1.5%
2	Guangdong	1	n/a	n/a	1.3%
3	Guangdong	1	n/a	n/a	1.0%
4	Guangdong	1	n/a	n/a	1.0%
5	Guangdong	1	n/a	n/a	0.9%
6	Guangdong	1	n/a	n/a	0.9%
7	Guangdong	4	11.7%	14.5%	0.6%
8	Guangdong	1	n/a	n/a	0.3%

Powerland places orders with its OEMs based on non-binding indicative framework product orders placed by its Retail Distributors during its seasonal distributors meetings and binding follow up batch orders made before the commencement of and during the term of a respective product season.

Raw Material Supplies

The primary raw material sourced for the production of Powerland's Luxury Segment products is leather. After leather, the materials used for Luxury Segment products are mainly components, including zips, chains, ribbons, wheels, and other hardware. Except for threads, glue and other sewing accessories, which are provided by its OEMs, Powerland sources all main raw materials and components used for its Luxury Segment products itself, even if production is outsourced to OEMs. For its Luxury Segment, Powerland follows the suggestions for raw materials made by Studio Turchi.

Powerland sources its leather from trading companies located in the PRC, which procure their leather in the PRC, Europe, South America, Australia, or New Zealand. In 2010, approximately 30% of leather sourced by Powerland originated from the PRC, 30% from Europe, and the remainder from other countries. As a result of their high primary processing standards, leather originating from Europe, in particular, Italy is more expensive than leather originating from China.

Powerland's leather supplies are based on framework agreements Powerland enters into with its leather suppliers. Based on the leather supply framework agreements, the prices for raw leather are fixed for one year.

While in 2008 and 2009, Powerland purchased finished products for its Luxury Segment from its OEMs, in 2010 Powerland commenced in 2010 to source raw leather by itself and to provide it for production to its OEMs (see: *"Management's Discussion and Analysis of Financial Condition and Results of Operation – Results of Operations – Cost of Sales and Gross Profit Margin"*).

During the periods under review, Powerland had three suppliers of leather shown in the table below.

Name of Supplier (Anonymised)	Country	Kind of leather supplied	Length of relationship	As a percentage of Powerland's cost of sales (%)
				2010
Supplier 1	PRC	Mainly cow leather	1 year	16
Supplier 2	PRC	Mainly cow leather	1 year	12
Supplier 3	PRC	Mainly cow leather	1 year	3

Powerland mainly uses cow leather and sheep leather for the Luxury Segment products. Leather used for Powerland's Luxury Segment products is sourced either in unprocessed form as raw leather,

leather that has only undergone primary processing, or in processed form. Raw leather is leather which has only been removed from the animal. Primary processing steps include cleaning, and removing of hair and fat from the leather. Further processing steps before using the leather for the assembly of bags include chemical processing of leather, colouring, and imprinting of logos. If Powerland sources unprocessed raw leather, it contracts processing companies mainly located in Guangdong province, who process the leather to make it fit for production.

OEM Manufacturer and Supplier Selection

Powerland has established high-quality standards for its products and therefore ascertains that all of its OEMs and suppliers fulfil Powerland's quality standards. Powerland cooperates with a number of approved OEMs and suppliers with which it has longstanding business agreements.

Powerland selects its OEMs and suppliers based on recommendations by its design partner, Studio Turchi, and Powerland's previous business experience with these manufacturers and suppliers. Before commissioning a new OEM manufacturer or supplier, Powerland assesses prospective OEMs and suppliers by way of a comprehensive selection process, using criteria such as product quality, services, and track record. Powerland's selection process comprises the following main stages:

(i) Collection and analysis of information on the supply market for a specific material, including information on the major players in this market. Studio Turchi may make recommendations for OEMs or new raw material suppliers.

(ii) Assessment of potential partners based on equipment, technological capacity, supply stability, product quality and reliability, absence of child labour, experience in working with international brands and other criteria; elimination of suppliers obviously not meeting the requirements.

(iii) Site visits and assessment of individual OEM/supplier in more detail.

(iv) Negotiation of price and contract terms.

(v) Entering into a formal agreement.

Agreement with OEMs and Suppliers

Powerland has established long term agreements with most of its OEMs and suppliers. Powerland believes that this has ensured a steady supply of high-quality manufacturing services at relatively stable prices. The framework agreements that Powerland concluded with its major suppliers generally do not provide for minimum purchase volumes, but Powerland may rather place single orders based on its current requirements. Powerland's OEMs and major suppliers usually give Powerland payment terms of 60 to 90 days after delivery.

Quality Control

As at 31 December 2010, Powerland had a quality control department consisting of 24 employees, eight of which were responsible for the Luxury Segment. Employees monitor the quality during the whole production process at Powerland's OEMs.

Casual Segment

Raw Material Supplies

The main raw materials sourced for the production of Powerland's Casual Segment products are textile, synthetic leather, and components such as zips, chains, ribbons, wheels, rods, and other hardware. Powerland sources all raw materials used for its Casual Segment products from domestic suppliers.

As at 31 December 2010, Powerland had 21 suppliers for textile and 35 suppliers for synthetic leather. Powerland's top five suppliers in the Casual Segment in 2010 were:

Name of Supplier (anonymised)	Country	Product supplied	Length of relationship	As a percentage of Powerland's cost of sales (%)		
				2008	2009	2010
Supplier 1	PRC	Polyester oxford fabric	1 year	0	0	4
Supplier 2	PRC	Ribbon and textile	More than 3 years	3	3	3
Supplier 3	PRC	Oxford leather	1 year	0	0	3
Supplier 4	PRC	Rod, angle roller, Strip	More than 3 years	8	3	3
Supplier 5	PRC	Plastic materials	1 year	0	0	2

Business Locations, Property, Plant, and Equipment

Powerland operates its main business premises in Putian, Fujian Province, and in Guangzhou, Guangdong Province in the PRC. It also operates administrative offices in Hong Kong and Frankfurt am Main, Germany.

Business Locations in Putian

Powerland operates production facilities for textile products, an R&D centre for textile products, and administrative offices in Putian City, in the Fujian Province in the PRC. The business locations in Putian are operated by Powerland Fujian.

As at the end of 2010, Powerland's facilities in Putian covered an area of approximately 80,000 sqm, with a built-up area of approximately 50,000 sqm.

Land use rights

Powerland Fujian has the following "Land Use Rights" which cover land plots with a total area of 74,065.10 sqm. All of the numbers below are subject to rounding adjustments.

- Land Use Right Certificate (2006) No. Y2006006 issued by the People's Government of Putian City on 24 January 2006 which will expire on 19 December, 2055. The land is located in the Industry Park of Hu Shi Town, Xiuyu District, and has an area of 1,043.89 sqm;
- Land Use Right Certificate (2006) No. Y2006007 issued by the People's Government of Putian City on 24 January 2006 which will expire on 19 December, 2055. The land is located in the Industry Park of Hu Shi Town, Xiuyu District, and has an area of 21,439.61 sqm;
- Land Use Right Certificate (2004) No. C27511 issued by the People's Government of Putian City on 13 April 2004 which will expire on 5 February, 2043. The land is located in Xiushan Village, Hu Shi Town, Xiuyu District, and has an area of 51,581.60 sqm.

All land use rights are used for Powerland Fujian's operating and production facility in Xiuyu district, Putian city, Fujian province.

All land plots under the above Land Use Right Certificates are mortgaged to Agricultural Bank of China, Putian Xiu Yu Sub-branch.

Buildings

Powerland Fujian owns buildings listed below covering a total construction area of 35,848.29 sqm.

- Real Estate Ownership Certificate with the number 551248 issued by the Construction Bureau of Putian City on 26 January 2006. The certificate covers an accommodation building with a construction area of 5,504.85 sqm located on the land plot covered by the Land Use Right Certificate (2004) No. C27511.

- Real Estate Ownership Certificate with the number 551274 issued by the Construction Bureau of Putian City on 18 April 2006. The certificate covers a workshop building with a construction area of 3,634.24 sqm located on the land plot covered by the Land Use Right Certificate (2004) No. C27511.
- Real Estate Ownership Certificate with the number 551275 issued by the Construction Bureau of Putian City on 18 April 2006. The certificate covers a workshop building with a construction area of 3,634.24 sqm located on the land plot covered by the Land Use Right Certificate (2004) No. C27511.
- Real Estate Ownership Certificate with the number 551276 issued by the Construction Bureau of Putian City on 18 April 2006. The certificate covers a workshop building with a construction area of 3,634.24 sqm located on the land plot covered by the Land Use Right Certificate (2004) No. C27511.
- Real Estate Ownership Certificate with the number 551277 issued by the Construction Bureau of Putian City on 18 April 2006. The certificate covers a workshop building with a construction area of 3,634.24 sqm located on the land plot covered by the Land Use Right Certificate (2004) No. C27511.
- Real Estate Ownership Certificate with the number 551989 issued by the Construction Bureau of Putian City on 29 January 2008. The certificate covers an office building with a construction area of 4,280 sqm located on the land plot covered by the Land Use Right Certificate (2004) No. C27511.
- Real Estate Ownership Certificate with the number X080353 issued by the Construction Bureau of Putian City on 18 December 2008. The certificate covers a workshop building with a construction area of 11,526.48 sqm located on the land plot covered by the Land Use Right Certificate (2004) No. C27511.

The buildings are used for Powerland Fujian's offices and production facilities. The buildings stated in the Real Estate Ownership Certificates numbered 551248, 551274, 551275, 551276, 551277, 551989 and X080353 have been mortgaged to Agricultural Bank of China, Putian Xiu Yu Sub-branch.

Leases

Powerland Fujian leases the following premises:

Premises in Foshan city for storage and office use. The leased area amounts to 921 sqm and the rent is RMB 5,738 per month. The lease expires on 9 December 2012.

Premises in Guangzhou city for storage purposes. The leased area amounts to 1,037 sqm and the rent is currently RMB 23,333 per month and will increase to RMB 26,262 per month from 21 September 2014 onwards. The lease expires in September 2015.

Business Premises in Guangzhou

In Guangzhou, Guangdong province of the PRC, Powerland operates two factories for synthetic leather products, one of which is intended to be expanded to also produce leather products for the Luxury Segment, two R&D centres for its synthetic leather products and Luxury Segment products, respectively, and administrative offices, mainly used as Powerland's sales and marketing centre for the Luxury Segment. The branding and marketing centre for its Luxury Segment is located in Guangzhou.

Land use rights

Powerland Guangzhou owns the properties listed below covering a total construction area of 11,753.79 sqm.

- Land Use Right and Real Estate Ownership Certificate with the number 0309003878 registered with the Land Resource and House Administration of Guangzhou City on 28 April 2010. The certificate covers a land use right for a land plot with an area of 2,632.94 sqm (land use right for 50 years starting from 18 January 2000) and a non-residential building with a construction area of 5,875.90 sqm.

- Land Use Right and Real Estate Ownership Certificate with the number 0309003879 registered with the Land Resource and House Administration of Guangzhou City on 28 April 2010. The certificate covers a land use right for a land plot with an area of 2,495.05 sqm (land use right for 50 years starting from 18 January 2000) and a non-residential building with a construction area of 5,877.89 sqm.

The properties are used for Powerland Guangzhou's operating and production facility. The buildings and land use rights stated in the Land Use Right and Real Property Ownership Certificates numbered 0309003878 and 0309003879 have been mortgaged to Guangdong Development Bank, Guangzhou Huadu Sub-branch.

Buildings

In October 2010, Powerland Guangzhou purchased the premises listed below based on so-called pre-sale contracts but has not yet obtained the Land Use Right and Real Estate Ownership Certificates of these properties. Pre-sale contracts are contractual arrangements regarding the sale of buildings before completion of the construction works.

Location	**Preliminarily construction Area**	**Date of pre-sale contract**	**Seller**
Building A-2, Ke Hui Development Center, Luo Gang District, Guangzhou.	3,400 sqm in total	12 October 2010	Guangzhou Liang Yu Investment Co., Ltd.

Leases

Powerland Guangzhou leases premises located at Huadu District, Guangzhou, with a total area of 3,323 sqm. The lease agreement was concluded on 1 May 2009. The lease term is from 1 May 2009 to 30 April 2014. The rental for the first three lease years is RMB 131,592 per year and the rentals for the fourth lease year and for the fifth lease year are RMB 138,172 and RMB 145,081, respectively.

Business Premises in Germany

Powerland leases office space in Frankfurt am Main, Germany for the administration of its German holding company and management of the Powerland Group.

Equipment

Powerland owns various fixed assets such as production equipment, office equipment, buildings and vehicles. As at 31 December 2010, the net book value of these fixed assets and equipment was EUR 20,358 thousand. No fixed assets or equipment items have been leased to other parties or rented from other parties.

Intellectual Property

Trademarks

Powerland has registered 111 trademarks in various jurisdictions, including the following:

Trademark	Territory	Date of approval/Date of expiry
	Hong Kong[1]	29 October 2009 to 28 October 2019
	PRC[2]	14 September 2010 to 13 September 2020
PowerLand	PRC[3]	28 August 2006 to 27 August 2016[6] / 28 November 2009 to 27 November 2019
POWERLAND	PRC[4]	28 March 2010 to 27 March 2020 /
SOTTO	PRC[5]	7 June 2010 to 6 June 2020

(1) The trademark has been registered (a) in class 18 which provides protection for various classes of products, including imitation leather, purses, travelling bags, sport bags, rucksacks, and handbags and (b) in class 25 which provides protection for various classes of products, including clothing, footwear, and headgear.
(2) The trademark has been registered in class 18.
(3) The trademark has been registered in class 25.
(4) The trademark has been registered (a) in class 18 and (b) in class 25.
(5) The trademark has been registered in class 18.
(6) The trademark was registered on 28 August 2006 under Mr. Shunyuan Guo's name. On 21 June 2007 the assignment of this trademark to Powerland Fujian was approved by the PRC State Trademark Office. Powerland Fujian is the current trademark owner.

In 2007, Powerland acquired the trademark "Powerland" from Mr. Shunyuan Guo, who had registered the trademark in the PRC in 2003.

The trademark Powerland is protected under the Madrid System for the International Registration of Marks in various jurisdictions outside the PRC, including the United States of America, South Korea, the United Kingdom and Germany.

In 2010, the Powerland trademark registered in class 18 in the PRC has been recognised by the Chinese State Trademark Office as a "Well-Known Trademark" in the PRC. A Well-Known Trademark in the PRC enjoys a more extensive protection in the PRC than merely registered trademarks. According to Article 13 of the PRC Trademark Law, the Company is entitled to challenge use and registration of any trademark which is the same as or similar to the well-known trademark, even if the goods or services covered by the trademark are not similar or same as those covered by the well-known trademark.

The brand "Sotto" is used for some of Powerland's textile and synthetic leather products from the Casual Segment.

Patents

Powerland is the registered proprietor of the following industrial design patent and utility model patent:

Type of patent	Description	Registration number	Territory	Date of application	Date of expiration
Design Patent	Handbag	ZL200730139585.6	PRC	19 June 2007	18 June 2017
Utility Model Patent ..	Luggage/bag with infrared sensor/anti-theft feature	ZL200720007403.4	PRC	19 June 2007	18 June 2017

As the patents mentioned above are not material to Powerland's business or profitability, Powerland is not dependent on them.

Domain Names

Powerland has registered the following internet domains:

- www.powerland.ag
- www.powerland.com.cn
- www.powerland.cn

Awards

Powerland has received various business awards from PRC institutions, including the following:

Award	Awarding body	Awarded in
Top Ten Asia most influential brands	Organizing Committee of Asia Brand Ceremony (Hong Kong)	July 2007
Chinese Famous Brand	General Administration of Quality Supervision, Inspection and Quarantine of the PRC	September 2007
Fujian Famous Brand	Fujian Provincial People's Government	December 2007
Fujian World-Famous Brand	Department of Foreign Trade and Economic Cooperation of Fujian Province	September 2008
Fujian Famous Trademark	Administration of Industry and Commerce of Fujian Province	September 2008
China Luggage Brand Leader 2009	China Leather Industry Committee	April 2009
Chinese Well-Known Trademark .	Trademark Office of SAIC (State Administration of Industry and Commerce of the PRC)	January 2010

Powerland believes that up to the date of this Prospectus it is the only bag producing company in the PRC that has received both awards, the Chinese Famous Brand award as well as the Chinese Well-Known Trademark award, which shows the distinguished position of Powerland within the PRC bag industry (See: "*Business – Intellectual Property – Trademarks*").

Employees

Overview

As at 31 December 2010, Powerland employed a total of 1,075 employees. No material change has occurred in the number of employees in the period until the date of this Prospectus. Powerland does not employ temporary contract workers.

The table below provides a breakdown of the number of employees as at 31 December 2008, 31 December 2009, and 31 December 2010:

Category of employees	2008	2009	2010
Management total	54	58	84
thereof Management	9	9	10
thereof finance, accounting, and administration	45	49	74
Sales, marketing and procurement	24	28	62
Production and design	877	831	929
thereof Design	31	26	48
thereof production and quality assurance	846	805	881
Total employees	**955**	**917**	**1,075**
Change in %	**–**	**– 4.0**	**+ 17.2**

Working Conditions

Powerland's production lines are usually utilised six days per week at Powerland Fujian and five days per week at Powerland Guangzhou. Workers on the production lines work in three daily shifts of eight hours.

Powerland believes that well-trained and skilled workers are essential to ensure the consistent quality of its products and increase production efficiency, and also for the motivation of its employees. Powerland has established comprehensive staff training systems for its production workers. The low percentage of migrant workers at Powerland's factories ensures a consistent quality of staff. Powerland conducts regular training courses for its employees in the marketing, sales, and other administrative departments.

Insurance

Powerland has insurance policies which cover the following risks:

- Property insurance for real property; and
- Social insurance coverage for the employees which includes basic pension insurance, unemployment insurance, medical care insurance and industrial accident insurance.

Powerland does not presently have insurance coverage for business interruption and product liability (see: "*Risk Factors – Risks related to Powerland's Business – Powerland does not have insurance coverage customary in more economically developed countries for a business of Powerland's size*"). The Company believes that the current insurance policies are in line with general practice in the leather production industry in the PRC.

Investments

Investments in the periods under review

During the periods under review until the date of this Prospectus, Powerland has made one major investment:

- In 2010, Powerland purchased buildings and land in Guangzhou for its new factory and marketing centre. The total amount of investment for this project was EUR 16,695 thousand. The investment was financed by equity capital and bank loans.
- In 2008, Powerland invested EUR 1,744 thousand for the construction of a new factory in Hushi Industry Park, Xiyu District, Putian City. The investment was financed by equity capital and bank loans.

Ongoing Investments

Powerland has no ongoing investments.

Future Investments

Powerland has made firm commitments amounting to EUR 1,002 thousand under a contract regarding the fitting and furnishing of the new marketing centre in Guangzhou. The investment will be financed by equity capital and bank loans.

Material Agreements

Powerland has in the two years prior to the date of this Prospectus entered into the following agreements that are material to its business:

Design Agreement with Studio Francesco Turchi

Based on a design agreement dated 19 February 2011 (the "**Design Agreement**") Powerland engaged Studio Francesco Turchi ("**Studio Turchi**"), an independent Italian design company owned by Francesco Turchi, former director of production of Gucci, to design its luxury leather products.

According to the Design Agreement, Studio Turchi designs 60 new bags and compatible accessories like wallets and purses, i. e. approximately 20 new product series, per season. Studio Turchi provides the first designs for each product based on recent international fashion trends, and is involved in the selection of raw materials and OEMs to be used for the production of the final Luxury Segment product. The final design of each of Powerland's Luxury Segment products is decided in close consultation between Powerland's design team and Studio Turchi. The intellectual property rights relating to the designs created by Studio Turchi for Powerland's products are assigned to Powerland, and Powerland has exclusive rights to use them in the PRC and worldwide. Although Studio Turchi is not exclusively bound to Powerland but also designs for other international luxury brands, it is contractually prohibited from designing for other PRC handbag manufacturers. The Design Agreement has a term of five years from 1 July 2011 until 30 June 2016 (see: "*Business – Design/R&D – Luxury Segment – Collaboration with Studio Francesco Turchi")*.

Agreement with Brand Ambassador Michelle Reis

On 19 January 2010, Powerland concluded an advertising agreement with Ms. Michelle Reis' agency, Paciwood Musik & Entertainment Limited, under which Ms. Reis conducts photo shoots video shoots and appears in public with Powerland bags (see: "*Business – Marketing – Luxury Segment – Brand Ambassador Michelle Reis*").

Legal Proceedings

Neither the Company nor its subsidiaries are currently, nor have they been in the last twelve months, the subject of government interventions or party to legal or arbitration proceedings which might significantly affect Powerland's financial position or profitability. No such proceedings are pending, and no such proceedings have been threatened.

REGULATORY ENVIRONMENT

PRC Company Law

On 27 October 2005, the Standing Committee of the PRC National People's Congress adopted amendments to the PRC Company Act. The amendments introduced substantial changes, including enhanced corporate governance, greater protection of shareholders and an easing of restriction on the management and operation of companies registered in the PRC. The new PRC Company Act applies to all companies registered in the PRC, including foreign-invested enterprises ("**FIE**"), to the extent not provided in FIE Regulations (see below: *Regulatory Environment – FIE Regulations)*.

There are two types of companies in the PRC: limited liability companies and companies limited by shares. All of Powerland's PRC subsidiaries are limited liability companies.

Limited liability companies with two or more shareholders must have a minimum registered capital of at least RMB 30,000 RMB. For single shareholder limited liability companies, the minimum capital requirement is RMB 100,000.

The main governing bodies of a limited liability company are its shareholders' meeting, the board of directors, the legal representative, and the supervisor.

The shareholders' meeting of a limited liability company, *inter alia,* has the following functions and powers:

- decisions on the business policy and investment plans;
- election and replacement of directors and supervisors, and decide on matters relating to their remuneration;
- approval of the company's proposed annual financial budgets and final accounts;
- approval of the company's profit distribution plans and plans for making up losses;
- resolving on the increase or reduction of the company's registered capital;
- resolving on the issuance of corporate bonds;
- resolve on important restructuring measures such as the merger, division, dissolution or liquidation of the company;
- amendment of the articles of association.

The board of directors is responsible to the shareholders' meeting and, *inter alia,* has the following functions and powers:

- convening of shareholders' meetings and reporting to the shareholders' meeting;
- implementing of the resolutions of the shareholders' meeting;
- preparation of the business plans and investment plans;
- preparation of the proposed annual financial budgets and final accounts;
- preparation of the profit distribution plans and plans for making up losses;
- preparation of plans for the increase or reduction of the registered capital or for the issue of corporate bonds;
- preparation of plans for restructuring measures such as mergers, divisions, and dissolution of the company;
- organizing of the company's internal management organisation;
- engagement or dismissal of the manager, deputy manager, financial officer of the company and matters relating to their remuneration.

The legal representative of a company is the main principal of the company who holds a special position therein and is the officer with the legal power to represent, and enter into binding obligations on behalf of the company. A legal representative's acts, when concluding a contract, are binding on the company, even where made ultra vires (i.e. beyond the authorised scope), unless the counterpart knew, or should have known, that the legal representative was exceeding his or her powers when entering into the contract. A PRC company must have a "chop" which is, normally, in the custody of the legal representative. Many important corporate documents and contracts require to be chopped by the company and signed by the legal representative.

The supervisor of a company is responsible for examining the financial affairs of the company, and for supervising the activities of the directors and senior managers, it may participate at board meetings as non-voting participants and may institute legal proceedings against directors.

According to the PRC Company Law, directors and supervisors shall be loyal and diligent towards the company. In the event that a director, supervisor or senior manager violates laws, administrative regulations or the company's Articles of Association in the course of performing its duties, it shall be liable for damages. A shareholder may institute legal proceedings against the unlawful acts of a director, supervisor, senior manager or third party that has harmed the interests of the company or the shareholder.

Foreign Investment Law

In the PRC, the establishment of foreign-invested enterprises is subject to approval by the MOFCOM or its local counterpart depending on the respective total amount of investment. For certain industries, the approval of the ministry with responsibility for that industry is required as a prerequisite to apply for the approval of the MOFCOM or its local counterpart. After the establishment, any material corporate changes in the foreign-invested enterprise, such as capital increase or reduction, change of business scope, share transfer, or other, are also subject to approval by the MOFCOM or its local counterpart. In addition, the establishment of a foreign-invested enterprise as well as all corporate changes must be registered with the competent registration authority, that means the SAIC or its local counterpart, in order to be valid.

Provisions on the Total Amount of Investment of Foreign Invested Enterprises

For foreign invested enterprises, PRC foreign investment law distinguishes between registered capital and the total amount of investment and stipulates a specific ratio between the two depending on the total amount of investment. The concept of total amount of investment of a company refers to all capital that under PRC law may theoretically be invested in a company, including equity capital and debt capital. When an investor intends to set up foreign invested enterprise, it has to forecast the required funds, i.e. the total amount of investment for the project. Depending on the total amount of investment, the minimum registered capital that the investor has to contribute will be determined. If the total amount of investment is USD 3 million or under, the registered capital must amount to at least 70% of the total investment. If the total amount of investment is between USD 3 million and USD 10 million, the registered capital must be at least 50%. If the total amount of investment is between USD 10 million and USD 30 million, the registered capital must be at least 40%. If the total amount of investment exceeds USD 30 million, the registered capital must be at least $^1/_3$ of the total amount of investment. By stipulating minimum requirements for the percentage of registered capital depending on the total amount of investment, PRC law thus limits the amount of loans that may be taken out by foreign invested enterprises.

Regulations on Overseas Listings

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM and the CSRC jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the "New M&A Provisions", which became effective on 8 September 2006. The New M&A Provisions, as amended on 22 June 2009, among other things, purport to require an offshore special purpose vehicle, or SPV, formed for the purpose of listing the SPV's securities on an offshore securities exchange and controlled directly or indirectly by PRC companies or individuals, to obtain the approval of the CSRC prior to such offshore listing and trading. On 21 September 2006, the CSRC published on its official website procedures, specifying documents and materials required to be submitted to it by SPV's seeking CSRC approval of their overseas listings. However, substantial uncertainty remains regarding the scope and applicability of the New M&A Provisions to overseas listings of offshore SPVs.

Regulations on Foreign Exchange

Foreign currency exchange regulation in China is primarily governed by the following rules:

- the Foreign Currency Administration Rules (1996), as amended (1997 and 2008), or the "Exchange Rules"; and
- the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the "Administration Rules".

Under the Exchange Rules, the Renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loans, investment for securities and repatriation of investment, however, is still subject to the approval of the State Administration of Foreign Exchange ("**SAFE**") or its local counterparts.

Under the Administration Rules, foreign-invested enterprises in China, may only buy, sell and/or remit foreign currencies at those banks authorised to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account items, transactions, obtaining approval from SAFE or its local counterparts. Capital investments outside of China by foreign-invested enterprises in China are also subject to limitations, which include approvals by SAFE and other relevant government authorities.

SAFE Regulations relating to Offshore Investment by PRC Residents

On 21 October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or "**Notice No. 75**" which became effective as of 1 November 2005. On 29 May 2007, SAFE issued the Implementation Rules Concerning the Notice on Issues Relating to the Administration of Foreign Exchange in fund raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or "**Notice No. 106**" which prescribes the detailed directives on the registration of a special purpose vehicle ("**SPV**").

Pursuant to Notice No. 75, prior to establishing or assuming control of an offshore company for the purpose of financing that offshore company with assets or equity interests in an onshore enterprise in the PRC, each PRC resident or passport holder who has ultimate control whether an individual or a legal entity, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. An amendment to the registration with the local SAFE branch is required to be filed by any PRC resident that directly or indirectly holds interests in that offshore company upon either the injection of equity interests or assets of an onshore enterprise to the offshore company, or the completion of any overseas fundraising by such offshore company. An amendment to the registration with the local SAFE branch is also required to be filed by such PRC resident when there is any material change involving a change in the capital of the offshore company, such as (a) an increase or decrease in its capital, (b) a transfer or swap of shares, (c) a merger or division, (d) a long-term equity or debt investment or (e) the provision of a guarantee to third parties.

Under Notice No. 75, failure to comply with the registration procedures set forth in Notice No. 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

SAFE Notice No. 142 on Conversion of Foreign Capital in Foreign-Invested Enterprises

On 29 August 2008, SAFE issued the Circular on Issues Concerning Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or "**Notice No. 142**", which restricts the use of the registered capital of foreign-invested enterprises settled in Renminbi and converted from foreign currencies. Notice No. 142 is one of a number of measures implemented by China's regulators in recent years to prevent the registered capital of foreign-invested enterprises from being used in China in businesses and investments not within its approved business scope, Notice No. 142, and may have significant impacts for foreign investors because of its potential impact on acquisitions and investments in China conducted through foreign-invested enterprises. A significant proportion of foreign-invested enterprises in China denominates their registered capital in a foreign currency and typically convert their registered capital into Renminbi for use in developing their business in China. According to Notice No. 142, the use of RMB converted from foreign capital to make equity investments in PRC companies is prohibited, unless such equity investment is within the approved business scope of the foreign-invested enterprise, or "has been otherwise provided for". Further, Notice No. 142 prohibits the purchase of domestic real estate using RMB converted from foreign capital other than for the foreign investment enterprise's own use, unless the enterprise is licensed as a real estate enterprise. In M&A transactions, settlement of the purchase consideration denominated in foreign currency must be effected through an exclusive foreign currency account approved by the local branch of SAFE. In addition, the use of such registered capital settled in RMB may not be changed without SAFE's approval, and may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used.

Dividend Distribution of Wholly Foreign-Owned Enterprises

The principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises include:

- the Wholly Foreign-Owned Enterprise Law (1986), as amended in 2000; and
- the Wholly Foreign-Owned Enterprise Law Implementation Rules (1990), as amended in 2001.

Under these regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in China are required to set aside 10% of the profit after tax as reported in its PRC statutory financial statements to the statutory common reserve fund in each year, except where the fund has reached 50% of the Group's registered capital, and certain amounts out of their accumulated profits each year for bonus and welfare funds. These funds are not distributable as cash dividends.

Under previous PRC tax regulation, dividend payments from foreign invested enterprises ("**FIEs**") to their foreign shareholders were exempted from PRC withholding tax. However, pursuant to the Enterprise Income Tax Law, which came into effect on 1 January 2008, such payment is subject to a 10% withholding tax unless the country where the foreign shareholder is incorporated has concluded a tax treaty with China that provides for a lower withholding tax rate. According to Article 10 Subsection 2 of the Mainland-Hong Kong Double Taxation Arrangement (the "**DTA**"), if the beneficiary of dividends is a Hong Kong tax resident company which holds directly at least 25% equity interests in a tax resident enterprise in China, the dividends distributed by the tax resident enterprise in the mainland to its Hong Kong shareholder shall be subject to taxes in China at a rate not higher than 5%. Therefore, the dividend distributed by Powerland Fujian to Powerland Hong Kong may be subject to such DTT and therefore be subject to a withholding tax in China at a rate not higher than 5%.

On 27 October 2009, the State Administration of Taxation has issued the Tax Circular Guoshuihan [2009] No. 601 to provide a better understanding of the term "beneficiary" for DTA purposes. According to the Circular, a "conduit company" shall not be regarded as a "beneficiary". A "conduit company" is defined as a company set up solely for the purpose of reducing tax and normally does not conduct any manufacturing, trading or management activities. If Powerland Hong Kong is considered a conduit company by the responsible tax authorities, there might be a risk that dividends distributed by Powerland Fujian or Powerland Guangzhou to Powerland Hong Kong may not be taxed at the lower withholding tax rate of 5% under the DTA but at a withholding tax rate of 10% under the EIT Law and its Implementing Rules.

Furthermore, among other things, the concept of tax resident enterprise ("**TRE**") introduced by the EIT Law provides that any (offshore) enterprise whose de facto management body is located in the PRC is subject to income tax at a rate of 25% under the EIT Law on its worldwide income, except that dividend income paid from one TRE to another due to direct investments is exempted income under the EIT Law. According to the Implementing Rules of the EIT Law, "de facto management body" refers to the body that exercises essential management and control over the enterprise in terms of its operations, personnel, accounts and assets. In April 2009, the State Administration of Tax specified certain criteria for determining the location of the "de facto management body" of foreign companies controlled by PRC enterprises. However, there is no comparable set of criteria for foreign companies not controlled by PRC enterprises. Therefore it remains uncertain how the PRC tax authorities will treat foreign companies like Powerland Hong Kong that are owned by other foreign companies and are ultimately controlled by PRC individuals.

Since Powerland Hong Kong's management is mainly based in China and a substantial number of the Company's management board members reside in China, there is a risk that Powerland Hong Kong and/or the Company are regarded as a TRE. Under the EIT Law, dividends distributed and received by a TRE from another TRE (which is not listed in the Chinese stock market) due to direct investment are exempted from EIT. Therefore, in case Powerland Hong Kong is regarded as a TRE, the dividends received by Powerland Hong Kong from Powerland Fujian or Powerland Guangzhou are exempted from EIT/withholding tax. If both Powerland Hong Kong and the Company are regarded as TREs, the dividends the Company receives from Powerland Hong Kong shall also be exempted from EIT/withholding tax. In such case, the withholding tax is triggered only when the Company distributes its dividends to its shareholders (which are not Chinese tax residents). However, if only Powerland Hong Kong is regarded as TRE while the Company is not, the dividends received by the Company from Powerland Hong Kong shall be subject to withholding tax at 10% in China. However, should both, Powerland Hong Kong and the Company be considered as TREs, then shareholders which are not TREs and which receive dividends distributed by the Company for earnings derived since 1 January 2008 and sourced within China would be subject to a PRC income tax at the rate of 10% for non-individual shareholders and 20% for individual shareholders applicable to such dividend and the Company would be obliged under the EIT Law to withhold PRC income tax on dividends payable to such non-TRE shareholders. A lower withholding tax rate may apply if a non TRE investor (non-individual) or a non tax resident individual is from a jurisdiction that has entered into an income tax treaty or agreement with China that allows a lower withholding. Similarly, if both, Powerland Hong Kong and the Company are considered TREs, any gain realised on the transfer of shares in the Company by non TRE investors or non tax resident individuals may also be subject to a 10% or 20%, respectively, PRC income tax if such gain is regarded as income derived from sources within China, unless the applicable income tax treaty provides otherwise (see: *Risk Factors – Risks related to Powerland's Business – Shareholders may be subject to taxation under PRC tax laws)*.

Taxation of Dividends received from the PRC in Hong Kong

In Hong Kong, no tax is imposed on dividends under the Inland Revenue Ordinance (Cap 112). Therefore no tax is payable in Hong Kong in respect of the dividends paid to a Hong Kong corporation, whether the dividends have a source in Hong Kong or outside of Hong Kong. Dividends distributed to the shareholders of a Hong Kong corporation are not subject to Hong Kong withholding tax.

Intellectual Property Law

Trademark Law

The PRC Trademark Law was promulgated in 1982, followed by the PRC Trademark Implementing Regulations in 1988, and was amended on 27 October 2001. The PRC is a signatory to the Madrid Agreement and the Madrid Protocol. These agreements provide a mechanism whereby an international registration has the same effect as an application for registration of the mark made in each of the countries designated by the applicant.

The PRC Trademark Office is responsible for the registration and administration of trademarks throughout the country. The PRC has adopted a "first-to-file" principle with respect to trademarks. The term of a registered trademark is ten years from the date of the approval of the registration and is renewable for another ten years.

PRC law provides that the following acts constitute infringement of the exclusive right to use a registered trademark:

- use of a trademark that is identical with or similar to a registered trademark in respect of the same or similar commodities without the authorisation of the trademark registrant;
- sale of commodities infringing upon the exclusive right to use the trademark;
- counterfeiting or making, without authorisation, images of a registered trademark of another person, or sale of such images of a registered trademark as were counterfeited, or made without authorisation;
- changing a registered trademark and putting commodities on which the changed registered trademark is used on the market without the consent of the trademark registrant; and
- otherwise infringing upon the exclusive right of another person to use a registered trademark.

In the PRC, a trademark owner who believes its trademark is being infringed has to provide its trademark registration certificate and other relevant evidence to the State or Local Administration for Industry and Commerce (the "**AIC**") which may, at its discretion, launch an investigation. The AIC may take actions such as: ordering the infringing party to immediately cease the infringing behaviour, seizing and destroying the images of the trademark in question and imposing a fine. If the trademark owner is dissatisfied with the AIC's decision, it may apply to have the decision reconsidered.

The trademark owner may institute civil proceedings directly with the court. Civil redress for trademark infringement includes:

- injunctions;
- requiring the infringing party to take steps to mitigate the damage (for example, print notices in newspapers);
- damages (that means compensation for the economic loss and injury to reputation as a result of the trademark infringement suffered by the trademark holder). The amount of compensation is calculated based on either the gains acquired by the infringing party from the infringement or the loss suffered by the trademark owner, including expenses incurred for deterring such infringement. If it is difficult to determine the gains acquired by the infringing party from the infringement, or the loss suffered by the trademark owner, the court may award compensation of no more than RMB 500,000 (EUR 57,250); and
- if the case is as serious as to constitute a crime, the trademark owner may lodge a complaint with the relevant judicial body.

The Chinese State Trademark Office can aware the title "Well-Known Trademark" to trademarks that are particularly well known in the PRC. A well-known trademark in the PRC can enjoy an extensive protection under the PRC Trademark Law. According to Article 13 of the PRC Trademark Law, the Company is entitled to challenge use and registration of any trademark which is the same as or similar to the well-known trademark, even if the goods or services covered by the trademark are not similar or same as those covered by the well-known trademark.

Patent Law

Overview

The PRC Patent Law was promulgated on 12 March 1984 and amended on 29 December 2008. The New Amendment of the PRC Patent Law became effective on 1 October 2009. The responsible authority is the State Intellectual Property Office ("**SIPO**") in Beijing. The Implementing Rules of the PRC

Patent Law were amended on 9 January 2010 and took effect on 1 February 2010 ("**Implementing Rules**"). The PRC Patent Law provides for three types of patents: invention patents, utility model patents, and design patents. Registered patents for industrial designs in the PRC are valid for ten years from the date of the patent application.

Invention patents refer to new technical solutions relating to a product, a process or an improvement thereof. They are required to be of novelty, creativity and practical applicability. An invention patent is valid for 20 years from the date on which the patent application was filed.

Utility model patents refer to new technical solutions that are suitable for utilisation and that relate to the shape or structure of a product or a combination thereof. Utility model patents are required to be of novelty, creativity and practical applicability. A patent for a utility model is valid for ten years from the initial date on which the patent application was filed.

Design patents refer to any new design of a product's shape, pattern or a combination thereof, as well as the combination of the colour and the shape or pattern of a product, which creates an aesthetic feeling and is fit for industrial application. In order to be eligible for a design patent, the design must not consist of a prior design. A design patent is valid for ten years from the initial date on which the patent application was filed.

Patent Filing

Patent applications must be filed to the SIPO in Beijing. The Chinese patent system adopts the principle of priority of time. This means that if more than one person has filed a patent application for the same invention, a patent is only granted to the person who first filed the application. In addition, the PRC requires absolute novelty in order for an invention to be patentable. Pursuant to this requirement, any prior written or oral publication, demonstration or use within the territory of the PRC and outside the PRC before filing the patent application prevents an invention from being patented in the PRC.

For filing a patent application outside the PRC for an invention or utility model completed within the territory of the PRC, the applicant is required to apply to the SIPO for a confidential review of the applied invention or utility model. If the aforesaid patent application has not been submitted for a confidential review before being filed in other countries, the SIPO will not grant the patent when it is applied for patent in the PRC later.

Patent Enforcement

A patent holder who believes its patent is being infringed may either file a civil lawsuit or file an administrative complaint with a provincial or municipal office of SIPO. A PRC court may issue preliminary injunctions upon the application of the patent holder or an interested party. Damages for infringement are calculated as either the loss suffered by the patent holder arising from the infringement or the benefit gained by the infringing party from the infringement. If it is difficult to ascertain damages in this manner, and if previously there has been a license agreement between the claimant and the defendant, damages may be determined at a reasonable amount based on a multiple of previously paid license fees. If damages cannot be determined, statutory damages may be awarded ranging from RMB 10,000 (EUR 1,145) to RMB 1,000,000 (EUR 114,500). The patent holder in the PRC has the burden of proving that the patent has been infringed. However, if the holder of a patent relating to manufacturing alleges infringement of such patent, the alleged infringing party has the burden of proving that there has been no infringement.

Patents issued in the PRC are not enforceable in Hong Kong, Taiwan or Macau, as each have independent patent systems.

Compulsory License

Under the PRC Patent Law, where a person possesses the means to utilise a patented technology but cannot obtain a license from the patent holder on reasonable terms within a reasonable period of time, the SIPO may grant a compulsory license for the patented inventions and patented utility models in the following circumstances:

- where the patentee fails to exploit or fully exploit its patent three years following the date of grant of the patent and four years following the date of application for the patent;
- where the patentee's exercise of the patent is deemed by law to constitute monopoly behaviour;
- where a national emergency or any extraordinary state of affairs occurs or where the public interest so requires; or
- where public health so requires.

Exhaustion Doctrine

After the patented product has been sold by the patentee or its licensees, the patentee cannot claim its patent rights of this patented product when it is re-sold, used, offered to sell, sold and imported.

International Patent Treaties

The PRC is a signatory to all major intellectual property conventions, including the Paris Convention

for the Protection of Industrial Property, the Madrid Agreement on the International Registration of Marks and Madrid Protocol, the Patent Co-operation Treaty ("**PCT**"), the Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedure and the Agreement on Trade-Related Aspects of Intellectual Property Rights ("**TRIPS**").

Although patent rights are national rights, there is a large degree of international co-operation under the PCT. Under the PCT, applicants in one country can seek patent protection for an invention simultaneously in a number of other member countries by filing a single international patent application.

Copyright Law

The PRC Copyright Law was promulgated on 7 September 1990 and amended on 26 February 2010 and has come into effect on 1 April 2010. Regulations implementing the PRC Copyright Law were enacted on 30 May 1991 and amended on 2 August 2002.

Copyright law applies to works including literary, artistic, natural science, social science and engineering technology works, etc., that are created in any of the following forms:

- written works;
- oral works;
- musical works, operatic and dramatic works, works of quyi, choreographic works and acrobatic works;
- works of fine art and architectural works;
- photographic works;
- cinematographic works and works created by a process analogous to cinematography;
- graphics works such as drawings of engineering designs, drawings of product designs, maps, schematic drawings, etc. and three-dimensional model works;
- computer software;
- other works as stipulated in laws and administrative regulations.

A copyright holder who believes that its copyright is being infringed may file a civil law suit. For some infringements that prejudice the public interest, the copyright holder may also file an administrative complaint with the competent copyright administration authority. Upon the copyright holder's request, the PRC court may issue a preliminary injunction. Compensation for infringement must be paid in accordance with the actual loss arising to the copyright holder from the infringement. Where the actual losses are difficult to calculate, compensation shall be paid in accordance with the sum of illegal income generated by the infringing party as a result of the infringement. If neither the actual losses nor the illegal income can be determined, Chinese courts may determine compensation of up to RMB 500,000 (EUR 57,250) depending on the circumstances of the individual infringement. The compensation also includes reasonable expenses of the copyright holder for deterring the infringement.

The PRC is also a party to the Berne Convention for the Protection of Literary and Artistic Works ("**Berne Convention**") and the Agreement on Trade Related Aspects of Intellectual Property Rights ("**TRIPS**"). According to the Berne Convention and TRIPS, products protected in the PRC enjoy protection in all countries that are a party to the Berne Convention and vice versa.

Anti-unfair Competition Law

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

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

Violations of the Anti-unfair Competition Law may result in fines and confiscation of illegal income and, in serious cases, revocation of the business license of the business operator as well as criminal liabilities.

Product Quality Law

The Product Quality Law of the PRC (the "**Product Quality Law**"), which was promulgated on 22 February 1993 and amended on 8 July 2000, is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

According to the Product Quality Law, products must satisfy the following requirements:

(i) being free from unreasonable dangers to the personal or property safety, and confirming to the national or industrial standards for safeguarding the health and personal or property safety;

(ii) possessing the functions for use that the product ought to possess, except for those with directions stating the defects in the functions of the product; and

(iii) conforming to the product standards marked on the product or on the package thereof, and to the quality conditions indicated by way of product directions and product sample.

The producers and sellers are liable for product quality. If a personal injury or damage to a property other than the defective product itself is caused due to the defect of a product, the producer shall be liable for the injury or damage. If a personal injury or damage to a property is caused by the product's defect resulted from the fault of the seller, the seller shall be liable for the injury or damage. If the defect of a product causes personal injury or damage to a property, the injured or damaged person may claim compensation from the producer of the product of may also claim compensation from the seller of the product. If the producer was responsible for a defect in a product but the seller of the product has made the compensation, the seller of the product has the right to seek compensation from the producer. If the seller was responsible for a defect in a product but the producer has made the compensation, the producer has the right to seek the compensation from the seller of the product.

Consumer Protection

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (the "**Consumer Protection Law**"), which was promulgated on 31 October 1993 and came into effect on 1 January 1994. The rights and interests of the consumers who buy or use commodities for the purposes of daily consumption or those who receive services are protected under the Consumer Protection Law. The consumers have the right to obtain true information of the commodities they purchase or services they receive, including, without limitation, prices, producers, functions, standards, term of validity, and after sale services. All distributors and producers involved in provision of commodities and services must ensure that the commodities and services will not cause damage to persons or properties. Distributors must guarantee that the commodities and services they provide meet the requirements for personal or property safety. They must also give the consumers truthful explanation and explicit warnings as well as instructions on ways of using to the commodities or receiving from the services that may harm personal or property safety. In addition, consumers have the right to form public organisations for the maintenance of their own legitimate rights and interests. Consumer associations and other consumer organisations, as non-profitable organisations, are public organisations formed according to the Consumer Protection Law to exercise social supervision over commodities and services and to protect the legitimate rights and interests of consumers.

The PRC Land System

All land in the PRC is either state-owned or collectively owned, depending on the location of the land. All land in urban areas of a city or town is state-owned, and all land in rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively owned. The state has the right to reclaim land in accordance with law if required for the benefit of the public. Although all land in the PRC is owned by the state or by collectives, private individuals and businesses and other organisations are permitted to hold, lease and develop land for which they are granted land use rights.

National Legislation on Land

In April 1988, the constitution of the PRC was amended by the National People's Congress to allow for the transfer of land use rights for value. In December 1988, the Land Administration Law of the PRC was amended to permit the transfer of land use rights for value.

Under the Interim Regulations of the People's Republic of China on Grant and Transfer of the Right to Use State-owned Urban Land ("**Interim Regulations on Grant and Transfer**") promulgated in May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights against payment of a grant premium.

Under the Interim Regulations on Grant and Transfer, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The state may not reclaim lawfully granted land use rights prior to expiration of the term of grant. If the public interest requires repossession by the state of the land under special circumstances during the term of grant, compensation is paid by the state. A land grantee may lawfully transfer, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings erected on the land will revert to the state without compensation.

Transfer and Lease of State-owned Land Use Rights

After land use rights relating to a particular area of land have been granted by the state, the party to whom such land use rights have been granted may transfer, lease or mortgage such land use rights, unless a restriction is imposed, for a term not exceeding the term which has been granted by the state. The difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, rent is payable during the term of the lease. Land use rights cannot be transferred, leased or mortgaged if the provisions of the land grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas of the PRC have different conditions which must have been fulfilled before the respective land use rights can be transferred, leased or mortgaged.

All transfers, mortgages and leases of land use rights must be evidenced by a written contract registered with the relevant local land bureau at municipality or county level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the state are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under Article 37 of the PRC Law on Administration of Urban Real Estate (the "**Urban Real Estate Law**"), real property that has not been registered and a title certificate which has not been obtained in accordance with the law cannot be transferred. Under Article 38 of the Urban Real Estate Law, if land use rights are acquired by means of grant, the following conditions must have been met before the land use rights may be transferred: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use rights certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) more than 25% of the total amount of investment or development must have been made or completed; and (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purpose have been confirmed.

Regulation on Collectively-owned Land

According to the PRC Law on Land Administration, adopted by the National People's Congress on 25 June 1986, and amended on 28 August 2004, land in rural and suburban areas, except if stipulated by law as being owned by the State, is collectively owned by rural residents. Land collectively owned by rural residents is contracted to and operated by members of the respective collective economic entity for uses such as plantation, forestry, livestock husbandry or fishery productions. Before any land collectively owned by rural residents is contracted to a unit or individual not from the collective economic entity, it must be agreed by at least two-thirds of the members of the villager committee meeting or at least two-thirds of the villager representatives, and be submitted to the people's government at the township level for approval. The land use rights of collectively owned land must not be granted, assigned or leased to any party for any non-agricultural uses.

Pre-Sale of Real Estate

Pre-sale refers to the sale of real estate before the construction work of such real estate has been completed and the real estate ownership certificate of the real estate has been issued. According to the *Law of the People's Republic of China on Urban Real Estate Administration,* the pre-sale of properties is allowed provided that the following conditions are met:

(1) All the premium for the land use right has been paid by the developer and the land use right certificate has been obtained;

(2) The construction planning permit has been obtained by the developer;

(3) Funds put for construction of the properties for pre-sale have exceeded 25 % of the total budgetary investment for the project and the construction schedule and date of completion of the project have been set; and

(4) The pre-sale registration has been made with the competent real estate administration by the developer and a permit for the pre-sale has been obtained.

In pre-sale contracts, since the real estates have not been completed at the time of pre-sale, the developer only can provide the preliminarily construction area which might be slightly different from that to be indicated on the real estate ownership certificate.

Regulatory Requirements Pertaining to the Expansion of Production Capacity

Pursuant to the Tentative Measures for the Administration of the Verification of Foreign Invested Projects (the "**Verification Measures**") issued by the National Development and Reform Commission (the "**NDRC**") on 9 October 2004, foreign investment projects for the expansion of production capacity are subject to an assessment and verification by the SDRC or, as the case may be, its local counterparts. If the expansion of production capacity results in the increase of registered capital and the so called "total amount of investment" by the applicant, such capital increase is subject to the additional approval by the competent authority, that means the Ministry of Commerce ("**MOFCOM**") or its local counterpart, and to the registration with the competent Administration of Industry and Commerce under the relevant laws or regulations governing foreign invested enterprises.

The expansion of production capacity also requires approval by the Ministry of Environmental Protection (the "**MEP**") or its local counterpart under the Regulations on Administration of Environmental Protection of Construction Projects. On the basis of an environmental impact study, MEP or its local counterpart shall assess the environmental impacts of the project and, based on the results of this assessment, decide on its approval. The parts of the facility that serve the purpose of environmental protection shall be designed, established and commissioned simultaneously with the remaining part of the expansion project. The production can only commence upon final inspection and acceptance of the environmental protection facilities by MEP or its local counterpart.

In case the expansion of production capacity requires the acquisition of additional land and the construction of new plants, such acquisition and construction has to be approved, in particular, by the Chinese land authorities, planning authorities, construction authorities and real estate authorities.

Regulatory Requirements Pertaining to the Discharge of Waste

In relation to the treatment of air pollutants and waste effluents created during the production process, Powerland has to comply with the Environmental Protection Law of the PRC, the regulations of the State Council issued thereunder, the Law of the PRC on the Prevention and Treatment of Water Pollution, the Law of the PRC on the Prevention and Treatment of Air Pollution, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes and the environmental rules promulgated by the local government of Fujian Province where Powerland's production facilities are located. In China, MEP implements unified supervision and management of national environmental protection. The environmental protection bureaus at or above the county level are responsible for the environmental administration within their respective jurisdictions. According to the national environmental laws, MEP sets national standards for pollutants emission and local environmental protection bureaus may set stricter local standards. Enterprises are required to comply with the stricter of the two standards.

Enterprises that cause pollution and other public hazards shall adopt environmental protection measures and implement an environment protection system. Such enterprises shall also take effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and radiation generated in the course of production, construction or other activities. Enterprises discharging pollutants shall apply for registration and for issuance of waste discharge permits with the competent environment protection bureaus. Enterprises discharging pollutants in excess of the nationally or locally prescribed standards is fined according to state provisions.

The PRC government may, according to the circumstances and the extent of the pollution, impose administrative penalties of different types and degrees on the violators (enterprises or individuals) of the relevant national environmental laws. Such penalties include warnings, fines, orders to make rectification within a specific period, orders to suspend production, orders to reinstall and put to use pollution treatment facilities that have been dismantled or left idle without prior approval, administrative sanctions on relevant responsible personnel and orders to close the business. The PRC government may also impose fines together with any of the abovementioned administrative penalties.

PRC Labour Contract Law

The PRC Labour Contract Law (the "**Labour Contract Law**") came into effect on 1 January 2008 and partially replaced the PRC Labour Law which is in effect since 1995. The Labour Contract Law has certain impact on all existing and future employment relationships under PRC law.

The Labour Contract Law emphasises the conclusion of employment contracts in written form by means of imposing more severe consequences for non-compliance. If the employer fails to conclude a written employment contract with an employee for one month to one year after the actual commencement of work, the employer must pay the employee double salary for the relevant months. If the employer fails to conclude a written employment contract with an employee for more than one year after the actual commencement of work, an unfixed-term of contract is deemed to have been concluded.

The Labour Contract Law also provides that an employer and an employee may include in their employment contract provisions on confidentiality concerning commercial secrets of the employer and confidential issues relating to intellectual property. Also a non-competition obligation for up to two years after termination or expiration of the contract may be included in the employment contract or a confidentiality agreement, if the employee is senior manager, senior technician or is subject to a confidentiality obligation and if the parties agree on a compensation. The employer shall pay economic compensation to the employee on a monthly basis during the non-competition obligation period.

Furthermore, additional reasons for the termination of employment contracts are introduced by the PRC Labour Contract Law. For example, the employee may now terminate the employment if the employer fails to pay social insurance premiums for the employee, if the rules and regulations for the employee are in breach of laws and regulations, which damage the employee's rights and interests, or if the contract was concluded due to a deception by the employer. In addition, the regulations on business-related dismissal have been concretised and, for the first time, social criteria regarding the question as to which employees shall be dismissed are introduced by the PRC Labour Contract Law.

In case of termination by mutual agreement, compensation must be paid only if the agreement was proposed by the employer. In case of expiration of a fixed-term employment contract, compensation must also be paid now under the PRC Labour Contract Law except for the case that the employee does not agree to renew the contract even when the employer proposes to keep or improve the conditions stipulated in the current contract. The amount of the compensation shall be one month's salary per year of employment with a maximum "monthly salary" of three times the average monthly salary as determined by the competent local government and a maximum of twelve years of employment. Before the effectiveness of the PRC Labour Contract Law, there was no cap on the amount of "monthly salary" for the purpose of calculation of compensation.

The PRC Labour Contract Law also provides that if an employer terminates an employment contract in violation of laws and an employee demands to continue to perform such a contract, the employer shall continue to perform the employment contract. If the employee does not want to continue to perform the employment contract or the performance of the employment contract has become impossible, the employer shall pay the employee damages in the amount of twice the severance payment.

Laws and Regulations Relating to Social Welfare

China has established a social security system providing people with social security services. China's social security system includes social insurance, social welfare, a special care and placement system, social relief and housing services. The core of the social security system, the social insurance, is composed of five parts: pension contribution, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance (details of which vary with the legal requirements in different regions). In addition, the housing funds are also required to pay for all employees. Pension contribution, unemployment insurance and basic medical insurance shall be borne by both the employer and the employee. Work-related injury insurance and maternity insurance are solely the employer's responsibility. The employer has to pay for his own contributions and deduct the applicable contributions of the employees from their salaries and remit them to the responsible institutions.

In recent years, China has improved the legal system of social security by promulgating a variety of new laws and regulations, including the PRC Labour Law, PRC Labour Contract Law, Interim Regulations on the Collection and Payment of Social Insurance Premiums, Regulations on Work Injury Insurance, Regulations on Unemployment Insurance, Regulations on Basic Pension Contribution, Measures for Maternity Insurance of the Staff and Workers in Enterprises, Regulations on Housing Funds Labour.

Any employer who fails to pay its social insurance contributions and housing funds or withhold payment of the employee's portion may be ordered by the PRC labour tax and/or housing funds administration authority to make the required payments within a designated period, and may be liable for penalties. The employee may terminate the employment if the employer fails to pay social insurance premiums or housing fund contribution, for the employee.

Social Security Contributions

The following is an overview on the statutory mandatory social security contributions to be made by employers for their employees in the PRC:

Type of insurance		Paid by	Rate%	Rate% (in total)
1. Social Security	Basic pension insurance	Employer	18	26
		Employee	8	
	Unemployment insurance	Employer	2	3
		Employee	1	
	Working injury insurance	Employer	1.1	1.1
		Employee	/	
	Maternity insurance	Employer	0.6	0.6
		Employee	/	
2. Housing Funds		Employer	10	20
		Employee	10	

PRC Tax Laws

Enterprise Income Tax Law ("EIT Law")

General

Under the previous PRC tax regulations, the general enterprise income tax ("**EIT**") rate for foreign-invested enterprises "FIEs" was 33% which comprised 30% national and 3% local income tax. Under the previous tax law, manufacturing FIEs, such as Powerland Fujian, with a term of operation exceeding ten years were usually entitled to a tax holiday of two years full exemption followed by a three years term of 50% tax exemption beginning the first profitable year after previous losses have been made up. The new EIT law ("**EIT Law**"), which came into effect on 1 January 2008, provides for a unified tax rate of 25% for both foreign-invested and domestically owned companies. According to the tax Circular Guofa [2007] No. 39, FIEs set up before 16 March 2007 originally enjoyed the above mentioned tax holiday in accordance with the old EIT Law and can continue to enjoy the remaining unutilized tax holidays until expiry under the new EIT Law.

Because the first tax profitable year (after utilising previous losses) for Powerland Fujian and Powerland Guangzhou was 2006 and 2007, respectively, the "two-year exemption, three-year 50.0% rate reduction" tax holiday for Powerland Fujian and Powerland Guangzhou began in 2006 and 2007, accordingly.

Therefore the effective tax rate for Powerland Fujian is 12.5% in 2008, 2009 and 2010, and 25.0% in 2011 and onwards. The effective tax rate for Powerland Guangzhou is nil in 2008, 12.5% in 2009, 2010 and 2011, and 25.0% in 2012 and onwards.

*Tax Resident Enterprises (****"TREs"****)*

The EIT Law has introduced the concept of tax resident enterprise defined as an enterprise which is established in the PRC under the PRC laws and regulations, or which has its de facto management body in the PRC. TREs are subject to PRC Enterprise Income Tax for their worldwide income, including income received from its subsidiaries. However, dividends received by one TRE from another TRE (not listed in the Chinese stock market) are exempted from EIT. According to Article 4 of the Implementing Rules of the EIT Law (the "**Implementing Rules**"), "de facto management body" refers to the management body that exercises essential management and control over the enterprise. As a result, if a holding company located outside the PRC was actually managed by a management body in China, the overseas company would be regarded as a TRE and subject to EIT for its worldwide income. According to the interpretation of Article 4 of the Implementing Rules given by the Chinese State Administration of Taxation ("**SAT**") on its website, the location of the de facto management body shall be determined by a substance-over-style method. In particular, mere off-shore board meetings shall not be sufficient for the de facto management body being located outside of China.

According to Tax Circular [2009] No. 82 issued by the SAT, a company is considered a TRE if all of the following conditions are met:

- The senior management responsible for the Company's day-to-day productions and business operations is mainly located in the PRC;
- Strategic management over the Company's finances and personnel is located in the PRC, or requires the approval from the establishments or individuals located in the PRC;
- The Company's major assets, accounting records, company seals and minutes of board of directors and shareholder meetings are located or maintained in the PRC; and
- 50% or more of the board members of the Company with voting rights or senior management habitually reside in the PRC.

In addition to the above conditions, SAT Tax Circular [2009] No. 82 further stipulates that the principle of substance-over-style shall be adopted when determining the TRE status. However, the above conditions apply to foreign companies controlled by PRC enterprises. There is no comparable set of criteria for foreign companies not controlled by PRC enterprises. Therefore it remains uncertain how the PRC tax authorities will treat foreign companies like Powerland Hong Kong that are owned by other foreign companies and are ultimately controlled by PRC individuals.

A foreign company controlled by PRC enterprises which based on the provisions of SAT Tax Circular [2009] No. 82 qualifies as a TRE, can apply with the competent PRC tax authority to verify its TRE status. So far, Powerland Hong Kong and the Company have not verified their TRE status. Alternatively, if the Company does not approach the tax authority for the TRE status, the tax authority is entitled to make a preliminary decision based on the information it has obtained and report the case level by level to the SAT for a final decision.

Powerland Hong Kong has not applied for verification of its TRE status yet. Therefore there might be a risk that Powerland Hong Kong may be regarded as a TRE. As a consequence thereof, it would be subject to enterprise income tax in China on their worldwide income, except for the dividends received by Powerland Hong Kong from Powerland Fujian which are exempted from enterprise income tax in China. Further, if Powerland Hong Kong and the Company are both regarded as TREs, dividends received by the Company from Powerland Hong Kong are also exempted from enterprise income tax in China. The PRC withholding tax on dividends will then only be levied if a TRE distributes dividends to non-TRE shareholders. As a consequence thereof, taxation of shareholders may be adversely affected, in particular, shareholders may be subject to Chinese taxation with regard to dividend distributions (see: "*Regulatory Environment – Foreign Investment Law – Dividend Distribution of Wholly-Foreign-Owned Enterprises*").

Value Added Tax ("VAT")

Enterprises and individuals shall pay VAT when they sell goods, provide taxable services (repairing, maintenance and processing) in the PRC or import goods into the PRC.

The VAT payable by a general taxpayer equals the balance between the output-VAT amount and the input-VAT amount incurred. The standard VAT rate in the PRC is 17% and applies to most products sold in the PRC, including processed leather products. Input-VAT on purchases can be deducted from output-VAT. Both Powerland Fujian and Powerland Guangzhou are mainly engaged in the processing and sale of leather luggage and other products and thus are subject to VAT at the rate of 17.0%.

Both Powerland Fujian and Powerland Guangzhou export goods from China and apply for a tax refund upon exportation. Export goods attract a VAT rate of zero. In addition, they can apply for a tax refund in relation to the purchase or manufacture of the exported goods on which VAT (i.e. input VAT) has previously been paid. As production enterprises, they apply the "Exemption, Credit and Refund" ("**ECR**") method and formulas for export.

The effective VAT refund rates differ for the categories of the goods exported and are changed irregularly based on the government's export policy. The current effective VAT refund rates for Powerland Fujian and Powerland Guangzhou in 2010 are both 15.0%.

SHAREHOLDER STRUCTURE (PRIOR TO THE OFFERING AND UPON COMPLETION OF THE OFFERING)

The following table provides an overview of the shareholding structure and the participation of the shareholders in the share capital of the Company prior to the Offering and upon completion of the Offering. Investors should note that at the date of this Prospectus Guo GmbH & Co. KG holds all shares in the Company.

	Shareholdings							
	Immediately before the Offering(5)		Following the completion of the Offering (assuming placement of only 3,500,000 New Shares, all 500,000 Existing Offer Shares; without exercise of the Greenshoe Option)		Following the completion of the Offering (assuming placement of all 5,000,000 New Shares, all 500,000 Existing Offer Shares; without exercise of the Greenshoe Option)		Following the completion of the Offering (assuming placement of all 5,000,000 New Shares, all 500,000 Existing Shares; with full exercise of the Greenshoe Option)	
Name of shareholder	**Ordinary bearer shares**	**in %**	**Ordinary bearer shares**	**in %**	**Ordinary bearer shares**	**in %**	**Ordinary bearer shares**	**in %**
Guo GmbH & Co. KG(1)	9,175,000	91.75	8,757,500	64.87	8,675,000	57.83	7,850,000	52,33
Solar Trend Limited(2)	450,000	4.50	405,000	3.00	450,000	3.00	450,000	3.00
Fengyuan Capital Group Limited(3)	300,000	3.00	270,000	2.00	300,000	2.00	300,000	2.00
Global Hedge Services Limited(4)	75,000	0.75	67,500	0.50	75,000	0.50	75,000	0.50
Free Float	0	0.00	4,000,000	29.63	5,500,000	36.67	6,325,000	42,17
Total	10,000,000	100.00	13,500,000	100.00	15,000,000	100.00	15,000,000	100.00

(1) Guo GmbH & Co. KG: A company incorporated in Germany, currently registered in the commercial register of the local court of Duesseldorf under HRA 21273 under the name Kronen tausend557 GmbH & Co. Vorrats KG, whose ultimate sole shareholder is the Company's CEO, Mr. Shunyuan Guo.

(2) Solar Trend Limited: A company incorporated in Hong Kong, whose ultimate sole shareholder is the sister of the Company's CEO, Mr. Shunyuan Guo, Ms. Biyan Guo. Solar Trend Limited purchased the shares in Powerland AG from Guo GmbH & Co. KG under a share purchase agreement dated 22 March 2011 providing for a share transfer to be effected upon admission to trading. The purchase price per share was agreed to be equivalent to the offer price.

(3) Fengyuan Capital Group Limited: A company incorporated in Hong Kong, whose ultimate sole shareholders are Mr. Kefeng Chen (60%) and Mr. Yangjia Li (40%). Fengyuan Capital Group Limited purchased the shares in Powerland AG from Guo GmbH & Co. KG under a share purchase agreement dated 22 March 2011 providing for a share transfer to be effected upon admission to trading. The purchase price per share was agreed to be equivalent to the offer price.

(4) Global Hedge Services Limited: A company incorporated in Hong Kong, whose ultimate sole shareholder is the Company's CFO, Mr. Hock Soon Gan. Global Hedge Services Limited purchased the shares in Powerland AG from Guo GmbH & Co. KG under a share purchase agreement dated 22 March 2011 providing for a share transfer to be effected on upon admission to trading. The purchase price per share was agreed to be equivalent to the offer price.

(5) The column shows Powerland AG's shareholders (the "**Existing Shareholders**") based on the assumption that the already agreed upon transfer of shares to be effected on 8 April 2011 from the current sole shareholder, Mr. Shunyuan Guo, to the other shareholders set out in the table had already occurred. The number of shares to be transferred was determined based on the assumption that all 5,000,000 New Shares will be placed with investors.

GENERAL INFORMATION ON THE COMPANY

Formation, Business Name, Legal Seat, Financial Year and Term of the Company

The Company is a German stock corporation *(Aktiengesellschaft)* operating under German law. The Company was founded by Guo GmbH & Co. KG by means of a notarial deed of formation *(Gründungsurkunde;* Roll of Deeds No. 48/2011 of the notary Dr. Andreas Bittner) dated 21 February 2011. Against contributions of all of its shares in Powerland Hong Kong under a share contribution agreement *(Einbringungsvertrag)*, Guo GmbH & Co. KG subscribed for all of the newly issued shares in the Company. The completion *(Durchführung)* of the formation became legally effective and Powerland AG was incorporated by registration in the commercial register of the local court of Frankfurt on 14 March 2011. Upon effectiveness of the Company's formation, Guo GmbH & Co. KG held all shares in the Company.

The legal and business name *(Firma)* of the Company is "Powerland AG". The legal seat *(Satzungssitz)* of the Company is in Frankfurt. The Company is registered with the commercial register *(Handelsregister)* of the local Court *(Amtsgericht)* in Frankfurt under registration number HRB 90460. The Company has its business address at Powerland AG, Westhafentower, Westhafenplatz 1, 60327 Frankfurt am Main, Germany (telephone number: +49-(0)69-710456167). The Company's financial year is the calendar year (that means 1 January through 31 December). The first financial year is a short financial year *(Rumpfgeschäftsjahr)*. The Company has been established for an unlimited period of time.

Business Purpose of the Company

The Company's business purpose *(Unternehmensgegenstand)* as set forth § 2 of the Company's Articles of Association *(Satzung)* is the production, sale, distribution and marketing of bags and other textile and leather products, by the Company itself or indirectly by its subsidiaries and/or affiliated companies as well as all businesses and services in connection therewith and services for its subsidiaries and affiliated companies.

Notices, Paying and Depositary Agent

In accordance with its Articles of Association *(Satzung)*, notices of the Company will be made in the electronic version of the German Federal Gazette *(elektronischer Bundesanzeiger)*. Publications required by stock exchange laws will be made in a national journal designated for such purposes by the Frankfurt Stock Exchange.

Notices in connection with the approval of the Prospectus or regarding amendments to the Prospectus will be made in accordance with the provisions of the German Securities Prospectus Act *(Wertpapierprospektgesetz)* and will be published in the form intended for prospectuses, that means on the Internet website of Powerland AG with a printed version available at the offices of Powerland AG and the Underwriters, as well as by subsequent notice published in *Frankfurter Allgemeine Zeitung.*

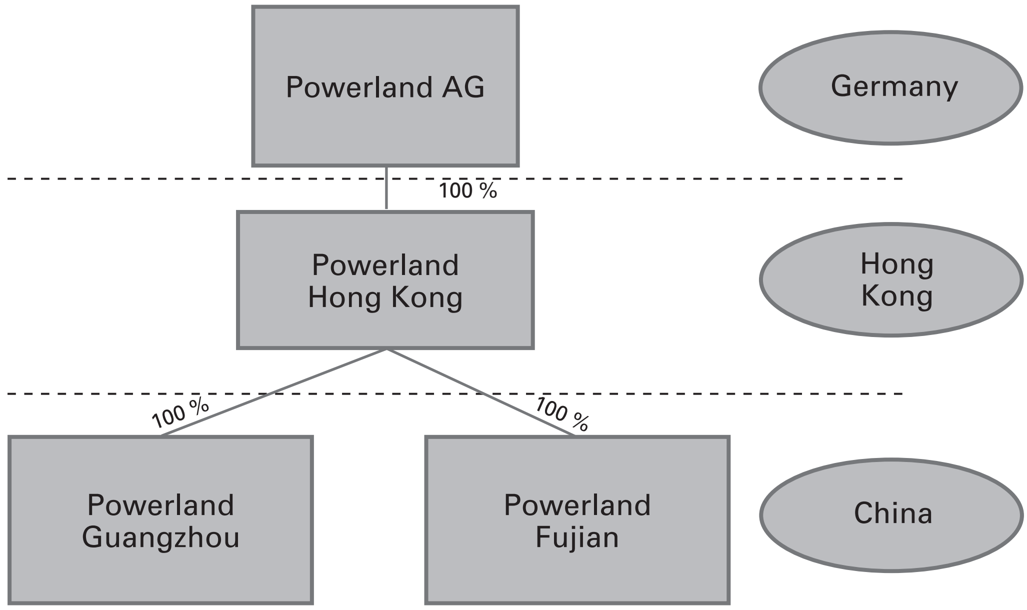
The paying and depositary agent is BNP Paribas Securities Services Europa-Allee 12, 60327 Frankfurt am Main, Germany.

Group Structure and Corporate Developments

Overview

As at the date of this Prospectus, the Company holds 100% of the shares in Powerland International Holdings Limited ("**Powerland Hong Kong**"), a company incorporated under Hong Kong law which acts as intermediate holding company and holds 100% of the equity interests in Fujian Powerland Leather Case & Products Co., Ltd. ("**Powerland Fujian**") and Guangzhou Powerland Leather Case & Products Co., Ltd. ("**Powerland Guangzhou**"), both companies incorporated in the PRC. The operative business of Powerland is being carried out by Powerland Fujian and Powerland Guangzhou (see: "*General Information on the Company – Group Structure and Corporate Developments – Powerland Fujian/Powerland Guangzhou*").

The corporate structure of Powerland as at the date of the incorporation of Powerland AG is shown in the chart below:



Powerland AG

Powerland AG is the top holding company of Powerland Group (see: "*General Information on the Company – Formation, Business Name, Legal Seat, Financial Year and Term of the Company*").

Guo GmbH & Co. KG, the sole founder and original sole shareholder of the Company, transferred shares in the Company to the other Existing Shareholders as follows:

- Under a share purchase agreement dated 22 March 2011, Solar Trend Limited purchased an amount of shares in the Company equivalent to 3% of the Company's share capital after the Offering. The purchase price per share was agreed to be equivalent to the offer price.
- Under a share purchase agreement dated 22 March 2011, Fengyuan Capital Group Limited purchased an amount of shares in the Company equivalent to 2% of the Company's share capital after the Offering. The purchase price per share was agreed to be equivalent to the offer price.
- Under a share purchase agreement dated 22 March 2011 Global Hedge Services Limited purchased an amount of shares in the Company equivalent to 0.5% of the Company's share capital after the Offering. The purchase price per share was agreed to be equivalent to the offer price.

All share purchase agreements provide for share transfers from Guo GmbH & Co. KG to the named other Existing Shareholders immediately after the admission to trading of the Company's shares at the Prime Standard of the Regulated Market (*Regulierter Markt*) of the Frankfurt Stock Exchange.

Powerland Hong Kong

Powerland Hong Kong is the intermediate holding company of Powerland Group.

Powerland Hong Kong was incorporated on 25 October 2010 by its founder, the Company's CEO, Mr. Shunyuan Guo, as a company with limited liability under Hong Kong Law and is registered with the company register in Hong Kong under registration number 1519781. Its registered office is Unit 2508A, 25/F Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The registered capital of Powerland Hong Kong is HKD 10,000.00 divided into 10,000 shares with a nominal value of HKD 1.00 each. The share capital is fully paid up. Mr. Shunyuan Guo, is the sole director of Powerland Hong Kong.

For the purpose of formation of Powerland AG, Mr. Shunyuan Guo transferred all of his shares in Powerland Hong Kong to Powerland AG under a contribution agreement dated 24/25 February 2011.

Powerland Fujian

Powerland Fujian was incorporated on 21 August 2003, with a business term of 50 years, i.e. until 20 August 2053. Powerland Fujian was established by the Company's CEO, Mr. Shunyuan Guo as a Foreign Invested Enterprise ("**FIE**") because at the time of registration, Mr. Shunyuan Guo was a Chinese citizen, but had a South African Identity Card.

Powerland Fujian is a company incorporated under the laws of the PRC. According to the latest Business License of the company, which was issued by the competent company registration authority, i.e. the Putian Administration of Industry and Commerce (AIC) on 16 December 2010, Powerland Fujian is a wholly foreign owned enterprise and its current registration number is 350300400000419. The registered address of Powerland Fujian is at Hushi Industry Park, Xiuyu District, Putian City, Fujian Province, PRC.

The current business scope of Powerland Fujian as stated in its articles of association is the manufacturing of leather cases and products, shoes, hats and clothes. The registered capital of Powerland Fujian is USD 6,000,000, and fully paid-up. The total amount of investment is USD 15,000,000.

Instead of a board of directors, Powerland Fujian only has an Executive Director, Mr. Shunyuan Guo, who also serves as the legal representative of Powerland Fujian. The supervisor of Powerland Fujian is Ms. Yulan Chen.

According to the Share Transfer Agreement dated 6 December 2010, Mr. Shunyuan Guo transferred his entire equity interest equalling 100% of the registered capital of Powerland Fujian to Powerland Hong Kong. The share transfer has been duly approved and registered. The purchase price of EUR 17,107 thousand (RMB 151,386,735.20) was not paid by Powerland Hong Kong as Mr. Shunyuan Guo contributed his claim for purchase price payment against Powerland Hong Kong to Powerland Hong Kong's capital reserves.

Powerland Guangzhou

Powerland Guangzhou was incorporated on 11 April 2005, with a business term of 50 years, i.e. until 11 April 2055. Powerland Guangzhou was established by the Company's CEO, Mr. Shunyuan Guo, as a FIE because at the time of registration, Mr. Shunyuan Guo was a Chinese citizen, but had a South African Identity Card.

Powerland Guangzhou is a company incorporated under the laws of the PRC. According to the Business License of the company dated 20 January 2010, which was issued by the competent company registration authority, i.e. the Guangzhou Administration of Industry and Commerce (AIC), Powerland Guangzhou is a wholly foreign-owned enterprise and its current registration number is 440101400029791. The registered address of Powerland Guangzhou is at No. 107 National Highway, Lianhe Village, Shiling Town, Huadu District, Guangzhou, PRC.

The current business scope of Powerland Guangzhou as stated in its articles of association is the manufacturing and processing of bags, leather ware and shoes, as well as the sale of self-produced products. The registered capital of Powerland Guangzhou is USD 3,000,000, and fully paid-up. The total amount of investment is USD 3,900,000.

Instead of a board of directors, Powerland Guangzhou only has an Executive Director, Mr. Shunyuan Guo, who also serves as the legal representative of Powerland Guangzhou. The supervisor of Powerland Guangzhou is Mr. Guoxiong Yu.

According to the Share Transfer Agreement dated 6 December 2010, Mr. Shunyuan Guo transferred his entire equity interest equalling 100% of the registered capital of Powerland Guangzhou to Powerland Hong Kong. The share transfer has been duly approved and registered. The purchase price of EUR 3,958 thousand (RMB 34,687,898.72) was not paid by Powerland Hong Kong as Mr. Shunyuan Guo contributed his claim for purchase price payment against Powerland Hong Kong to Powerland Hong Kong's capital reserves.

INFORMATION ON THE SHARE CAPITAL OF THE COMPANY AND APPLICABLE PROVISIONS

Share Capital and Shares

As at the date of this Prospectus, the registered share capital of the Company *(gezeichnetes Grundkapital)* amounts to EUR 10,000,000.00 and is divided into 10,000,000 shares with a notional amount of the share capital of EUR 1.00 each. The Company's registered share capital is fully paid up.

In connection with the Offering, up to 5,000,000 New Shares are expected to be issued based on a resolution of an extraordinary general meeting of shareholders held on 22 March 2011. The application for registration of the resolution on the capital increase is expected to be filed with the commercial register of the local court of Frankfurt on 8 April 2011. It is expected that registration will take place and the capital increase will become legally effective on the same date. Assuming that the maximum number of New Shares will be issued, the share capital of the Company after the Offering will amount to EUR 15,000,000.00 consisting of 15,000,000 no par value bearer shares with a notional amount of EUR 1.00 per Share.

Each Share carries one vote at the Company's General Shareholders' Meeting. There are no restrictions on voting rights. The Shares carry full dividend entitlement for the short financial year 2011 and all subsequent financial years. In the event that the Company is dissolved, the Company's assets remaining after settlement of its liabilities will be distributed among the shareholders in proportion of their share of the share capital.

The management board determines the form of the share certificates as well as the dividend coupons and renewal coupons. Global share certificates may be issued.

The Company's current share capital will be represented by one or several global share certificates without dividend coupons, which will be deposited with Clearstream Banking AG, Frankfurt am Main. The New Shares will be represented by an additional global certificate which will also be deposited with Clearstream Banking AG.

Authorised Share Capital

As at the date of this Prospectus, the authorised capital of the Company amounts to EUR 5,000,000.00 (the "**Authorised Capital 2011**"). Based on the Authorised Capital 2011, the management board is authorised to increase the share capital of the Company with the consent of the supervisory board by up to EUR 5,000,000.00 by issue of up to 5,000,000.00 shares in consideration of contributions in cash or in kind.

In case of a capital increase based on the Authorised Capital 2011, the management board is further authorised, in each case with the consent of the Supervisory Board, to provide that the pre-emptive rights of the shareholders are excluded. An exclusion of the pre-emptive rights, however, is only admitted in the following cases:

- if the new shares are issued to acquire enterprises, shares in enterprises or parts of an enterprise;
- for fractional amounts;
- for granting shares to employees and members of the management of the Company or of a connected enterprise in connection with employees' participation programs;
- if the shares are issued in consideration of contributions in cash at an issue price which is not substantially below the stock exchange price and the exclusion of the pre-emptive rights is only applied to new shares that represent not more than 10 % of the share capital; for the calculation of the 10 % limitation any other exclusion of the pre-emptive-rights according to Section 186, paragraph 3, sentence 4 of the Stock Cooperation Act (*Aktiengesetz*) has to be taken into account;

- to list shares of the Company or certificates representing shares of the Company on domestic or foreign stock exchanges where they are not listed yet;
- to the extent necessary to grant holders of convertible bonds, convertible profit participation rights *(Genussrechten)*, or stock options pre-emptive rights that they would have in case they became shareholders.

A capital increase where the pre-emptive rights are excluded may not exceed 10 % of the share capital existing at the time when this authorisation is made use of, if such capital increase serves for an employees' participation programme.

The management board decides with the consent of the Supervisory Board on the rights to and the conditions of issuance of new shares to be generated through the Authorised Capital 2011.

Conditional Share Capital

The extraordinary general meeting of shareholders held on 22 March 2011 resolved upon the creation of conditional capital (*bedingtes Kapital*) consisting of up to 500,000 new ordinary bearer shares with no par value of an aggregate amount of up to EUR 500,000 (Conditional Capital 2011). The Conditional Capital 2011 will lead to an actual increase of the Company's share capital only to the extent that the holders of option rights granted by the Company in connection with the Stock Option Plan 2011 exercise their option rights (see „*Corporate Bodies and Management – Stock Option Plan 2011*"). The new shares will participate in the Company's balance sheet profits from the start of the financial year in which they are created as a result of the exercise of the pre-emptive right.

Employee Participation, Stock Option Programme

The Company has set up a stock option programme plan for certain members of its Management Board, other senior management and other key employees (see: "*Corporate Bodies and Management – Stock Option Plan 2011*").

General Provisions Relating to Profit Allocation and Dividend Payments

Under German law, the participation of the Company's shareholders in profits is determined on the basis of their respective interests in the share capital, unless the Articles of Association (Satzung) provide for another profit allocation.

The adoption of resolutions regarding the distribution of dividends on the Company's shares for a given financial year is the responsibility of the General Shareholders' Meeting *(Hauptversammlung)* held during the following financial year, which resolves on the utilisation of the Company's distributable profits on the basis of the non-binding proposal of the Management Board *(Vorstand)* and the Supervisory Board *(Aufsichtsrat)*. If the Existing Shareholders hold an effective or, depending on their presence at the General Shareholders' Meeting of the Company, a factual majority of the voting rights present or represented at the General Shareholders' Meeting, they may exercise further influence on the utilisation of the Company's profits and/or the dividends' policy.

Under German law a resolution concerning dividends and the utilisation of distributable profits may be adopted only on the basis of a balance sheet profit *(Bilanzgewinn)* shown in the Company's adopted annual individual financial statement *(festgestellter Jahresabschluss)* to be prepared in accordance with generally accepted German accounting principles, i. e. the accounting provisions of the German Commercial Code *(Handelsgesetzbuch /HGB)*. In determining the balance sheet profit available for distribution, the annual net income *(Jahresüberschuss)* or annual net loss *(Jahresfehlbetrag)* of the respective year must be adjusted for profits and losses carried forward from the previous year and for deposits into or withdrawals from reserves. Certain reserves are to be created by law and must be deducted, where applicable, when calculating the balance sheet profits available for distribution. In a resolution regarding the utilisation of balance sheet profits, the General Shareholders' Meeting can include further amounts in retained earnings or carry them forward as profit.

Future dividend distributions will depend on the results of operations of the Company, its financial condition, its need for cash and the legal, tax and regulatory environment, as well as other factors. If the Company's (individual) annual financial statements *(Jahresabschluss)* prepared under German GAAP, i.e. the accounting provisions of the German Commercial Code *(Handelsgesetzbuch, HGB)* in the future show balance sheet profits *(Bilanzgewinn)*, the Company's Management Board *(Vorstand)* and Supervisory Board *(Aufsichtsrat)* intend to propose a profit distribution of an amount between 20% and 40% of the profit for the year according to the consolidated IFRS financial statements of the Company, if and to the extent the Company's (individual) annual financial statement accounts for a respective balance sheet profit. The remaining profits will be booked as retained earnings and be used to finance the further development of Powerland's business.

Dividends resolved by the Company's General Shareholders' Meeting are paid annually, shortly after the General Shareholders' Meeting, in compliance with the rules of the respective clearing system. In accordance with the general provisions of sections 195 and 199 para. 1 of the German Civil Code *(Bürgerliches Gesetzbuch, BGB)* dividend claims become time-barred three years after the end of the year in which the General Shareholders' Meeting has taken the respective resolution on the distribution of profits *(Gewinnverwendungsbeschluss)*. After expiry of this period, the Company may refuse payment of the respective dividend to a shareholder. Notifications concerning the distribution and payment of dividends will be published in the electronic version of the Federal Gazette *(elektronischer Bundesanzeiger)* and in at least one official national publication for statutory stock market notices approved by the Frankfurt Stock Exchange.

General Provisions Relating to a Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings and other reasons as set forth in the German Stock Corporation Act *(Aktiengesetz)*, the Company may be liquidated only upon resolution of the General Shareholders' Meeting *(Hauptversammlung)* to be adopted with a majority of at least 75% of the share capital represented at the General Shareholders' Meeting at which such resolution is adopted. In such a case, the assets remaining following fulfilment of all of the Company's liabilities will be distributed among the shareholders according to their respective shares in the share capital and in accordance with the German Stock Corporation Act.

General Provisions Governing Changes in Share Capital

Under the German Stock Corporation Act *(Aktiengesetz)*, the share capital of a German stock corporation *(Aktiengesellschaft)* may be increased in return for contributions *(Kapitalerhöhungen gegen Einlagen)* on the basis of a resolution by the General Shareholders' Meeting passed with a majority of at least three-quarters of the share capital represented at the time the resolution is adopted.

In addition to the capital increase against contributions, the shareholders may also create authorised capital *(genehmigtes Kapital)* or conditional capital *(bedingtes Kapital)*. In the case of authorised capital, the Management Board *(Vorstand)* is authorised by the means of a respective provision in the articles of association or a resolution of the General Shareholders' Meeting, upon the approval of the Supervisory Board *(Aufsichtsrat)* to increase the share capital one time or several times up to an amount of not more than 50% of the issued share capital at the time the authorisation is granted against contributions in cash by issuing new shares within a period of no more than five years. The shareholders' resolution creating the authorised capital requires a majority of three-quarters of the share capital represented at the time the resolution is adopted. The General Shareholders' Meeting may also create conditional capital *(bedingtes Kapital)* for the purpose of issuing (i) shares to holders of convertible bonds or other securities conferring pre-emptive rights on company shares, (ii) shares that serve as consideration in the event of a merger with another company, or (iii) shares offered to senior managers and employees. The resolution of approval to be adopted by the General Shareholders' Meeting requires a majority of three-quarters of the share capital represented at the time of the resolution. The nominal amount of the conditional capital may not exceed 50% of the share capital or, if the conditional capital is created for the purpose of issuing shares to senior managers and employees, 10% of the existing share capital at the time the resolution is adopted.

A resolution to decrease the amount of the share capital requires a majority of three-quarters of the share capital represented at the time of the resolution.

General Provisions Relating to Pre-Emptive Rights

The German Stock Corporation Act provides that, in the case of a capital increase – with the exception of a conditional capital increase – shareholders are, in principle, entitled by law to pre-emptive rights regarding new shares to be issued in the course of a capital increase in accordance with their current equity quota *(gesetzliches Bezugsrecht)*. The same applies to the issuance of convertible bonds, income bonds, profit participation rights or bonds with warrants as well as in respect of the sale of treasury shares. Pre-emptive rights are freely transferable and the Company may determine that the pre-emptive rights may be traded on a German stock exchange during a fixed period prior to the expiry of the subscription period.

The General Shareholders' Meeting *(Hauptversammlung)* may partially or completely exclude the pre-emptive rights by means of a resolution passed with a majority of at least three-quarters of the share capital represented at the time the resolution is adopted. The Management Board *(Vorstand)* must present a written report to the shareholders' meeting justifying the exclusion of the pre-emptive rights. An exclusion of pre-emptive rights is permissible if the Company's interest in excluding the pre-emptive rights outweighs the shareholders' interest in the conferral of the pre-emptive rights. In the absence of such justification, pre-emptive rights may only be excluded in the case of a capital increase if such capital increase has been effected in return for cash contributions, the amount of the capital increase does not exceed 10% of the existing share capital, and the issue price of the new shares is not substantially below the stock exchange price of the shares already trading on the stock exchange.

Reporting and Notification Requirements in Relation to Share Ownerships

Upon the admission of its shares to the official market of the Frankfurt Stock Exchange (see: "*The Offering – General and Specific Information on the Shares – Admission to Trading and Listing of Shares*") the Company, as a publicly listed company, is subject to the provisions of the German Securities Trading Act *(Wertpapierhandelsgesetz)* ("**WpHG**"). The WpHG requires that every shareholder who reaches, exceeds or falls below, through purchase, sale or any other manner, 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in a listed company must, without undue delay but within four trading days at the latest, submit written notifications to the relevant company and to the German Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht)* stating that it has reached, exceeded, or fallen below the aforementioned thresholds and indicating its share of the voting rights. Upon receipt of a notification submitted in this manner, the Company must publish this notification without undue delay, but within three trading days at the latest, in a national journal designated for such purposes by a stock exchange and without undue delay, but not before publication notification, transfer this notification to the enterprise register *(Unternehmensregister)*. Further, according to the WpHG a shareholder who reaches or exceeds 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in a listed company is obliged to inform the company within 20 stock exchange trading days about (i) the financing sources for such investment and (ii) its investment purposes, unless this obligation has been dispensed with in the Articles of Association of the Company, which is not the case in the Company's Articles of Association.

In connection with this requirement, the WpHG contains various rules that aim to ensure that share ownership is attributed to the party that actually controls the voting rights attached to the shares. For example, shares belonging to a third company are attributed to another company if the latter controls the former. Similarly, shares held by a company for the account of another company or a company it controls are also attributed to that first company. If the respective notification is not made, the shareholder is excluded from exercising all rights related to the shares (including voting rights and the receipt of dividends) for the duration of the non-compliance. In addition, in the event of non-compliance with the notification obligation, a fine may be imposed.

Public Takeovers

Pursuant to the German Securities Acquisition and Takeover Act *(Wertpapiererwerbs- und Übernahmegesetz)* (the "**Takeover Act**"), the Company as a stock corporation (*Aktiengesellschaft*) listed on a regulated market within the meaning of Article 4, paragraph 1, No. 14 of the European Union Directive 2004/39/EC is considered a so-called target company *(Zielgesellschaft)* in the event of a publicly launched offer for the acquisition of a part or all of the Company's shares ("**Public Offer**"). Pursuant to the Takeover Act, if a person intends to make a Public Offer to purchase shares of a company listed on a stock exchange, it needs to publish this intention and within four weeks submit a so-called offer document ("**Offer Document**", *Angebotsunterlage*) to BaFin for its approval. After approval by BaFin, the Offer Document must also be published. The Offer Document needs to contain comprehensive information about the Public Offer, including information about the bidder, the offered compensation to be paid to the shareholders accepting the public offer, and the financial means and reasons for the public offer.

In the event of a Public Offer for the acquisition of at least 30 % of a listed company's shares ("**Takeover Offer**"), even stricter requirements apply. The Takeover Act contains comprehensive provisions setting out requirements for an adequate compensation based on the average trading price of the shares, and requires that a Takeover Offer may not be limited to only some of the shares of the target company (prohibition of partial takeover offers). In addition, the management board and the supervisory board of the target company have to publish a substantiated statement on the Takeover Offer. The management board of the target company must not take any actions that could result in frustrating the Takeover Offer.

According to the Takeover Act any party whose share of the voting rights reaches or exceeds 30 % of the voting shares of the Company after admission to trading is required to publish this fact, including the percentage of the voting rights held, within seven calendar days via Internet and by means of an electronic system for the dissemination of financial information, and subsequently, unless an exemption from this requirement is granted, to submit a mandatory Takeover Offer to all shareholders of the Company.

Squeeze-Out of Minority Shareholders and Integration

Pursuant to the German Stock Corporation Act, the shareholders' meeting of a German stock company can, at the request of a shareholder holding 95 % of the share capital ("**Principal Shareholder**"), resolve to transfer the shares of the remaining minority shareholders to the Principal Shareholder in return for payment of a suitable cash settlement (so-called "squeeze-out" of minority shareholders). The amount of the cash settlement to be paid to the minority shareholders must reflect the company's situation at the time the resolution is passed by the shareholders' meeting. The amount of the cash settlement is based on the full value of the Company, which is determined using the capitalised earnings value calculation. Upon registration of the resolution of the General Shareholders' Meeting on the squeeze-out with the commercial register, the shares of the minority shareholders are automatically transferred to the Principal Shareholder.

According to the Takeover Act, there is a further possibility of a squeeze-out of minority shareholders after a public takeover offer. According to the Takeover Act, a bidder that holds 95 % of the voting share capital of a target company after a public takeover offer may within a period of three months following the expiration of the offer period file an application with the local court in Frankfurt to issue a court order to transfer the remaining voting shares against an adequate compensation. A resolution of the General Shareholders' Meeting is not required. The consideration offered has to correspond to the consideration offered in connection with the takeover or mandatory bid and a cash consideration has to be offered alternatively. Shareholders also have the right to request acquisition of their shares.

The general shareholders' meeting of a stock corporation may resolve on the integration *(Eingliederung)* of a corporation if at least 95 % of the shares of the company to be integrated are held by the future principal company. The former shareholders of the integrated company can claim a suitable settlement that generally must be granted in the form of shares of the remaining company. The amount of the settlement is calculated using a "merger value ratio" between the two companies, i. e., the exchange ratio that would be deemed to be appropriate in the event of a merger of the two companies.

CORPORATE BODIES AND MANAGEMENT

The corporate bodies of the Company are the Management Board *(Vorstand)*, the Supervisory Board *(Aufsichtsrat)* and the General Shareholders' Meeting *(Hauptversammlung)*. The powers of these governing bodies are determined by the provisions of the German Stock Corporation Act *(Aktiengesetz)*, the Company's Articles of Association *(Satzung)*, and the respective rules of procedure of the Management Board and the Supervisory Board *(Geschäftsordnungen für den Vorstand und den Aufsichtsrat)*.

The Management Board conducts the Company's business in accordance with the relevant statutes, the Company's Articles of Association and the Management Board's respective rules of procedure. It represents the Company in dealings with third parties.

The Management Board is responsible for ensuring that appropriate risk management and risk monitoring systems are in place to provide early warning of any developments that might jeopardise the Company's continuing existence. The Management Board also has an obligation to report regularly on at least a quarterly basis to the Supervisory Board on the status of business, in particular any developments affecting revenues, and on the situation of the Company and its subsidiaries. In the last Supervisory Board meeting of each financial year, the Management Board must report on business policy and other key issues relating to corporate planning and present the budget for the following financial year, as well as present its mid-term strategy. The Management Board is also required to report to the Supervisory Board in a timely fashion on any transactions that may be significant with respect to the Company's profitability or liquidity, in order to give the Supervisory Board the opportunity to express its opinion on such transactions prior to their implementation. The Management Board must further report any important matters to the Chairman of the Supervisory Board *(Vorsitzender des Aufsichtsrats)*, including any matter involving subsidiaries and/or affiliates that could have a material effect on the Company's position. In the case of stock corporations, under German law no member of the Management Board may serve concurrently on the Supervisory Board. A concurrent membership limited to no more than one year is however possible by delegating a member of the Supervisory Board to the Management Board. During such period of time, the delegated member cannot engage in any activities in the Supervisory Board.

The Supervisory Board appoints the members of the Management Board and is entitled to dismiss them for good cause. The Supervisory Board advises the Management Board on managing the Company and supervises its management activities. Pursuant to the German Stock Corporation Act, the Supervisory Board may not engage in management activities. However, under the Articles of Association or the Management Board's respective rules of procedure, the Management Board must obtain the Supervisory Board's approval for certain transactions, usually prior to the implementation of such measures or transactions.

Members of the Management Board and Supervisory Board owe a duty of care and loyalty to the Company. In all their actions, members of these governing bodies must consider a wide number of interests, including those of the Company, its shareholders, its employees and its creditors. The Management Board must also take into consideration the right of shareholders to equal treatment and equal information. Should members of the Management or Supervisory Boards breach these duties, they are jointly and severally liable to the Company for compensation.

Under currently applicable German law, a shareholder has no possibility of taking direct action against members of the Management Board or the Supervisory Board if it is of the opinion that they have breached their fiduciary duties and that, as a result, the Company has suffered damages. Under normal circumstances only the Company itself is entitled to claim compensatory damages against the members of the Management Board or the Supervisory Board. The Company will be represented by the Management Board in the case of claims against members of the Supervisory Board and by the Supervisory Board in the case of claims against members of the Management Board. Based on a decision by the German Supreme Court, the Supervisory Board is obligated to pursue enforceable claims for compensatory damages expected to be enforceable against the Management Board, unless significant reasons related to the Company's welfare make the enforcement of a claim unadvisable and these reasons outweigh or are at least on balance with the reasons supporting the pursuit of a claim.

If the respective governing body entitled to represent decides not to pursue a claim, the German Stock Corporation Act, requires that claims for compensatory damages of the Company must be enforced against members of governing bodies if the General Shareholders' Meeting so resolves with a simple majority. Shareholders whose aggregate shareholdings equal or exceed 10% of the share capital or a notional value of the share capital of EUR 1,000,000 may request that a representative be appointed to enforce claims for compensatory damages. Furthermore, shareholders whose aggregate shareholdings at the time of the request equal or exceed 1% of the share capital or a notional value of the share capital of EUR 100,000 may request in their own name that a law suit be admitted before the Regional Court *(Landgericht)* at the Company's registered domicile for enforcement of claims for compensation brought by the Company. Among other things, a prerequisite for admission of the action is that the shareholders of the Company have unsuccessfully requested to bring an action, after setting an appropriate deadline, and facts exist that justify the suspicion that the Company has incurred damages due to impropriety or gross violation of the law or the Company's Articles of Association *(Satzung)*. The Company is entitled at any time to enforce its claim for compensatory damages itself. The bringing of an action by the Company makes a pending approval procedure or action by the shareholders inadmissible.

The Company may not waive or settle any such claim until three years have elapsed since the vesting of such claims, and then only if the General Shareholders' Meeting so resolves by simple majority, provided further that no minority of shareholders, holding in the aggregate 10% or more of the registered share capital, raises a written objection in the minutes of the meeting.

Under German law, neither shareholders nor any other individual may attempt to influence members of the Management or Supervisory Boards to act in a manner that would harm the Company. Shareholders who have a controlling influence may not use such influence to cause the Company to act against its interest, unless the resulting damage is compensated for. Any person who uses its influence to cause a member of the Management or Supervisory Board, a commercial attorney in fact *(Prokurist)* or any person holding a commercial power of attorney to act in a manner that harms the Company or its shareholders may be obliged to compensate the Company and its shareholders for the resulting damage. In addition, the members of the respective Supervisory and Management Boards may be jointly and severally liable for breach of their duties.

Management Board

General Provisions on the Management Board

The Supervisory Board determines the size of the Management Board which, under the Company's Articles of Association, must have at least 2 members. The Supervisory Board may appoint one Management Board member as chairman or spokesman and another member as deputy chairman or spokesman. Furthermore, the Supervisory Board may appoint further members of the Management Board.

Members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. Reappointment or extension of the term, for a maximum of five years in each case, is permissible upon a resolution of the Supervisory Board that may be adopted not earlier than one year prior to the expiration of the current term of office. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of its term for good cause, such as for gross breach of fiduciary duties or if the General Shareholders' Meeting adopts a no-confidence resolution in relation to the Management Board member in question.

The Supervisory Board, or, if the Supervisory Board has not done so, the Management Board with the approval of the Supervisory Board, may issue rules of procedure for the Management Board *(Geschäftsordnung für den Vorstand)*. For specific types of transactions of the Company or controlled and affiliated companies, in particular those that fundamentally change the Company's earnings prospects or its risk exposure, the respective rules of procedure must specify that such transactions require the prior consent of the Supervisory Board.

According to its Articles of Association, the Company is legally represented by the members of the Management Board acting jointly or by one member of the Management Board acting jointly with one commercial attorney in fact, and, if only one person is appointed to the Management Board, that person is entitled to represent the Company solely. The Supervisory Board can grant sole power of representation to individual members or to all members of the Management Board and exempt individual members or all members of the Management Board from the prohibition against multiple representations (Section 181, second alternative, German Civil Code), Section 112 of the German Stock Corporation Act not being hereby affected. The Supervisory Board has granted Mr. Shunyuan Guo sole power of representation and exemption from the restrictions of Section 181, second alternative, of the German Civil Code by means of a resolution dated 22 February 2011. The resolutions of the Management Board are adopted by a simple majority of its members unless other majorities are prescribed by law, the Company's Articles of Association or the Management Board's respective rules of procedure.

Rules of Procedure for the Management Board

The Supervisory Board of the Company intends to issue rules of procedure for the Management Board. According to the rules of procedure, certain transactions (for example, capital expenditure projects above a specific amount, the acquisition and disposal of companies and of real property above a specific amount) require the prior consent of the Supervisory Board.

Members of the Management Board

The Management Board of the Company currently comprises 3 members. The members of the Management Board as at the date of this Prospectus are set out below:

Name	Date of birth	Initially appointed on	Appointed until	Responsibilities
Mr. Shunyuan Guo . .	6 August 1970	22 February 2011	21 February 2016	CEO (Chief Executive Officer) (Vorstandsvorsitzender)
Mr. Yong Liang Guo .	30 June 1983	22 February 2011	21 February 2014	CPO (Chief Production Officer)
Mr. Hock Soon Gan. .	16 December 1971	22 February 2011	21 February 2014	CFO (Chief Financial Officer)
Mr. Qingsheng Cai . .	20 September 1964	22 February 2011	21 February 2014	CAO (Chief Accounting Officer)

Mr. Shunyuan Guo

Mr. Shunyuan Guo, the Company's Chairman of the Management Board *(Vorstandsvorsitzender)* and Powerland's CEO is citizen of the PRC and responsible for the overall management of Powerland's business strategy and operations.

Mr. Shunyuan Guo, Powerland's CEO, has over 15 years of experience in the Chinese and international textile and leather products industry coupled with a significant business network domestically and internationally. He has received numerous business awards in the PRC, including the Asian Brands Top 10 Innovator Award in 2007, the Top 10 Innovation Award for Excellence in China in 2007, and the Man of the Year in the Luggage Leather Industry of China award in 2009. He is Executive Director of the China Leather Association and Vice President of the Associated Chinese Chambers of Commerce and Industry of South Africa.

Over the last five years, Mr. Shunyuan Guo has been a partner in the following partnerships or a member of administrative, management or supervisory bodies of the following companies outside of Powerland:

Current

- Golden Key Real Estate Company (a property development company in South Africa),
- Orient Plaza (a commercial property company in South Africa).

Past

- None.

Mr. Yong Liang Guo

Mr. Yong Liang Guo, Powerland's Chief Production Officer, is citizen of the PRC and responsible for the production processes at Powerland.

Mr. Yong Liang Guo, has been with Powerland for more than seven years and has served in various positions. He commenced his work for Powerland as purchaser in 2003, rose to Head of Warehouse in September 2005, Head of Logistics in October 2006, Logistics Manager in May 2007, deputy General Manager in May 2008, and, most recently, in June 2009 became general manager at Powerland Guangzhou. His responsibilities include, in particular, management of production for textile and synthetic leather products. He has received a Master of Business Administration (MBA) degree from Zhongshan University in Guangzhou.

Over the last five years, Mr. Yong Liang Guo has been a partner in the following partnerships or a member of administrative, management or supervisory bodies of the following companies outside of Powerland:

Current

- None.

Past

- None.

Mr. Hock Soon Gan

Mr. Hock Soon Gan is the Company's Chief Financial Officer (CFO) with responsibilities for financial reporting, in particular with respect to international accounting standards (IFRS) and regular reports required under capital markets law, as well as investor relations.

Mr. Hock Soon Gan holds a Degree in Civil Engineering from University Technology of Malaysia. Upon attaining his tertiary education in engineering, Mr. Hock Soon Gan embarked his career in accounting and started his professional career with KPMG Malaysia in 1995, where he became the Senior Manager and Head of Department of one of the audit divisions. In addition, Mr. Hock Soon Gan was also seconded to KPMG United States of America, Houston office for tenure of 18 months from January 2001 to June 2002. In 2006, Mr. Hock Soon Gan joined KPMG China as Audit Senior Manager. Mr. Hock Soon Gan returned to Malaysia in August 2007 and continued his professional career in BDO, an international accounting firm, as Audit Partner. In BDO, Mr. Hock Soon Gan was a member of the Management Board, Head of China Desk and Human Resource Audit Partner.

While working for BDO and KPMG, his professional experience spans from audit engagements, advisory due diligence assignments and acting as reporting accountant for initial public offering for various clients operating in a wide spectrum of businesses in Malaysia, USA and China.

Mr. Hock Soon Gan is both a Chartered Accountant from the Malaysian Institute of Accountants (MIA) and Institute of Chartered Accountants of England and Wales (ICAEW), and a Certified Public Accountants of the Malaysian Institute of Certified Public Accountants (MICPA) and Cambodia/Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA).

Over the last five years, Mr. Hock Soon Gan has been a partner in the following partnerships or a member of administrative, management or supervisory bodies of the following companies outside of Powerland:

Current

- None.

Past

- August 2007 to November 2010: member of the Management Board of BDO Malaysia.

Mr. Qingsheng Cai

Mr. Qingsheng Cai is the Company's Chief Accounting Officer (CAO) with responsibilities for accounting and record-keeping, in particular regarding the accounts of Powerland's Chinese subsidiaries.

Mr. Qingsheng Cai worked from August 1986 until October 1992 as an accountant in the finance section of the largest sugar company in Fujian Province, Xianyou Sugar Refinery of Fujian Province. From November 1992 until February 1998 he was employed by the foreign owned enterprise Fujian Sanyuan Metal Products Co. Ltd. as a finance manager. From March 1998 until February 2003 he served as Chief Financial Officer at Fujian Xinwei Industrial Electronics Group, which was successfully dual listed in Hong Kong and Singapore in 1999. Mr. Qingsheng Cai also was Chief Financial Officer of Fujian Ante Semiconductor Co. Ltd from March 2003 until March 2005. He has served as Chief Financial Officer for Powerland since April 2005, and became Chief Accounting Officer in 2011.

Over the last five years, Mr. Qingsheng Cai has been a partner in the following partnerships or a member of administrative, management or supervisory bodies of the following companies outside of Powerland:

Current

- None.

Past

- None.

Terms of employment of the Management Board Members

Mr. Shunyuan Guo received a total compensation of RMB 136,200 (EUR 15,595) for his services in the last full financial year 2010. Based on his service agreement, he is entitled to an annual fixed salary of RMB 500,000 (EUR 57,250).

Mr. Yongliang Guo received a total compensation of RMB 35,160 (EUR 4,026) for his services in the last full financial year 2010. Based on his service agreement, he is entitled to an annual fixed salary of RMB 200,000 (EUR 22,900).

Mr. Hock Soon Gan received a total compensation of RMB 50,264 (EUR 5,755) for his services in the last full financial year 2010. Based on his service agreement, he is entitled to a monthly net salary of RMB 40,000 (EUR 4,580) before the Company is listed on the Frankfurt Stock Exchange or other suitable stock exchange. After the listing, Mr. Hock Soon Gan will receive a monthly net salary of RMB 80,000 (EUR 9,160). In addition, Mr. Hock Soon Gan is entitled to a bonus in the amount of RMB 2,500,000 (EUR 286,250) (net of taxes) payable within 15 days after the Company's listing on the Frankfurt Stock Exchange or other suitable stock exchange. Mr. Hock Soon Gan is entitled to a severance payment of a 12 months' salary in case Powerland Fujian terminates the agreement. The agreement has a term of three years from 19 November 2010 until 18 November 2013.

Mr. Qingsheng Cai received a total compensation of RMB 81,069 (EUR 9,282) for his services in the last full financial year 2010. Based on his service agreement, he is entitled to an annual fixed salary of RMB 200,000 (EUR 22,900).

Except as set out otherwise above, the service agreements of the Management Board members do not provide for performance-related or other variable salary components or benefits upon termination of employment.

Senior Management

Next to its management board members, also other members of Powerland's senior management play an important role in Powerland's business.

Members of the senior management

Mr. Jiangbin He

Mr. Jiangbin He is Powerland's Investor Relations Director. He is citizen of the PRC and responsible for investors relations and communications affairs. Mr He has more than 15 years of experience in corporate finance and marketing. Before joining Powerland in 2011, Mr. Jiangbin He worked as Executive Director for Plumbohm Corporate Finance Consulting (Shanghai). Mr. Jiangbin He speaks fluently Chinese (Mandarin), English, and German.

Over the last five years, Mr. Jiangbin He has been a partner in the following partnerships or a member of administrative, management or supervisory bodies of the following companies outside of Powerland:

Current

- None.

Past

- None.

Ms. Juanxiu Wang

Ms. Juanxiu Wang is Powerland's Chief Marketing Officer. She is citizen of the PRC and responsible for marketing activities of the Group. Ms. Juanxiu Wang graduated from Fujian Normal University in Business Administration in 1996. Upon graduation, she joined Fujian Putian Xuejin Beer Company and worked for six years before going to Xiamen University for her MBA. She joined Powerland in 2003 after receiving her MBA. She is the Vice-president of the Beijing Putian Chamber of Commerce and a director of the Fujian Putian Red Cross Society.

Over the last five years, Ms. Juanxiu Wang has been a partner in the following partnerships or a member of administrative, management or supervisory bodies of the following companies outside of Powerland:

Current

- None.

Past

- None.

Mr. Yung Chih Chen

Mr. Yung Chih Chen is the General Manager of the Luxury Segment of Powerland. He is citizen of the PRC and responsible for managing the operations of Powerland's Luxury Segment. Before joining Powerland in January 2011, Mr. Yung Chih Chen worked for the fashion labels Ninewest, Mango and SeptWolves.

Over the last five years, Mr. Yung Chih Chen has been a partner in the following partnerships or a member of administrative, management or supervisory bodies of the following companies outside of Powerland:

Current

- None.

Past

- None.

Terms of employment of members of the senior management

Mr. Jiangbin He only joined Powerland in March 2011 and, thus, received no compensation in 2010. Based on his service agreement, he is entitled to an annual fixed salary of RMB 500,000 (EUR 57,250).

Ms. Juanxiu Wang received a total compensation of RMB 64,368 (EUR 7,370) for her services in the last full financial year 2010. Based on her service agreement, she is entitled to an annual fixed salary of RMB 200,000 (EUR 22,900).

Mr. Yung Chih Chen only joined Powerland in January 2011 and, thus, received no compensation in 2010. Based on his service agreement, he is entitled to an annual fixed salary of RMB 200,000 (EUR 22,900).

The service agreements of the members of the senior management do not provide for performance-related or other variable salary components or benefits upon termination of employment.

Supervisory Board

General Provisions on the Supervisory Board

Pursuant to the Company's Articles of Association the Supervisory Board is composed of three members who are appointed by the General Shareholders' Meeting. The term of a Supervisory Board member may not exceed a period after annual General Shareholders' Meeting that formally approves the actions of the Supervisory Board members for the fourth financial year following the commencement of the respective member's term of office, not including the financial year in which the respective term of office has commenced. Supervisory Board members may be re-elected.

Any Supervisory Board member may be removed by means of a resolution of the General Shareholders' Meeting with a simple majority of the votes cast by the shareholders in the General Shareholders' Meeting. In addition, according to the Articles of Association, any Supervisory Board member as well as any substitute member *(Ersatzmitglied)* may resign for any reason by serving at least one month's prior written notice to the Chairman of the Supervisory Board and to the Management Board. With the consent of the Chairman of the Supervisory Board, this notice period can be waived. The resignation may take immediate effect if good cause is present.

When electing a member of the Supervisory Board, the General Shareholders' Meeting may simultaneously elect substitute members who become members of the Supervisory Board if the appointed member resigns before the end of his or her term in office.

The Supervisory Board appoints a Chairman and a Deputy Chairman from among its members. The Chairman or, if unable to attend, the Deputy Chairman, is obligated to convene and conduct the meetings of the Supervisory Board.

According to the provisions of the Company's Articles of Association, the Supervisory Board has a quorum if half of its members, however at least three members, are present. Unless required otherwise by law or by the Company's Articles of Association, resolutions of the Supervisory Board are passed by a simple majority of votes cast.

Supervisory Board Committees

Due to its small size with only three members, the Supervisory Board has not set up any committees, in particular, it does not have an audit committee or a remuneration committee.

Rules of procedure for the Supervisory Board

The Supervisory Board of the Company intends to adopt rules of procedure for the Supervisory Board *(Geschäftsordnung für den Aufsichtsrat)*.

The Members of the Supervisory Board

The current members of the Company's Supervisory Board are set out below:

Name	Date of birth	Initially appointed in	Term expires in(1)	Function
Dr. Peter Diesch		2011	2012	Chairman of the Supervisory Board
Mr. Volker Potthoff . .		2011	2012	Deputy Chairman of the Supervisory Board
Mr. Hsueh Yi Huang .		2011	2012	Member of the Supervisory Board

(1) Term of office expires after the General Shareholders' Meeting that formally approves (entlastet) the actions of the members of the Supervisory Board of the financial year 2011.

There are no family relationships between the members of the Supervisory Board amongst each other or with the members of the Management Board.

Dr. Peter Diesch

Dr. Peter Diesch is the Chairman of the Supervisory Board *(Aufsichtsratsvorsitzender)*.

Dr. Peter Diesch has extensive experience in management, in particular financial management, and has served in the boards of various listed companies. Dr. Peter Diesch obtained a degree in economics *(Diplom-Volkswirt)* from the University of Freiburg im Breisgau in 1980. From 1980–1985 he worked as an assistant professor in Business Administration at the University of Dortmund, from which he also received his doctorate (Dr. rer. pol) in 1986. From 1985 until 2000 he served in various positions at Daimler Group. From 2001 until 2004 he was Chief Financial Officer of Tchibo Holding AG, and from 2004 until 2006 he was Chief Financial Officer of Linde AG. From 2007 until 2008 he served as CFO of Arcandor AG. Currently he is owner and managing director of BCI Board Consultants International Dr. Diesch GmbH in Hamburg, a recruitment agency for national and international top management and supervisory board positions in groups, medium sized companies, and family businesses.

Over the last five years, Dr. Peter Diesch has been a partner in the following partnerships or a member of administrative, management or supervisory bodies of the following companies outside of Powerland:

Current

- BCI Board Consultants International Dr. Diesch GmbH, Hamburg, owner and managing director;
- Delton AG, Bad Homburg, member of the supervisory board;
- ERGO Versicherungsgruppe AG, Duesseldorf, member of the advisory board;
- Commerzbank AG, Frankfurt, member of the regional advisory board.

Past

- Arcandor AG, member of the management board, Chief Financial Officer, 2007–2008;
- Linde AG, member of the management board, Chief Financial Officer, 2004–2006.

Mr. Volker Potthoff

Mr. Volker Potthoff is deputy Chairman of the Supervisory Board *(stellvertretender Aufsichtsrats-vorsitzender)*.

Mr. Volker Potthoff is a German attorney *(Rechtsanwalt)*, specialized in capital markets law and corporate governance. He has broad experience both as a legal practitioner and as in-house legal counsel of listed companies. Volker Potthoff started his career as an associate with the law firm of White & Case in New York (1984–1985) and worked thereafter as legal counsel in the banking and capital market department of BHF-Bank (1986–1994). Between 1994 and 2006 he held several functions as an executive for Deutsche Börse Group. During his time with Deutsche Börse he was member of the management board responsible for the Stock Exchange Business (2000–2003) and Managing Director responsible for the banking and custody business (2003–2006). Since August 2006, Volker Potthoff has worked as an of-Counsel with the law firm CMS Hasche Sigle as a capital market expert. Volker Potthoff has been a member of the German Federal Government Commission for Corporate Governance (until July 2006) and is a lecturer in capital market law at the University of Zurich. Mr. Volker Potthoff is a major shareholder and general manager of Addwis S.à.r.l. and a general manager of Addwis GmbH, which is active in the corporate finance advisory services area. Mr. Potthoff is also a member of the supervisory board of Vtion Wireless Technology AG, top holding company of the Chinese Vtion Group which has been listed on the Frankfurt Stock Exchange since September 2009.

Over the last five years, Mr. Volker Potthoff has been a partner in the following partnerships or a member of administrative, management or supervisory bodies of the following companies outside of Powerland:

Current

- Addwis S.à.r.l., general manager and major shareholder;
- Addwis GmbH, managing director and major shareholder;
- pfm medical AG, member of the Supervisory Board;
- Vtion Wireless Technology AG, member of the Supervisory Board.

Past

- None.

Mr. Hsueh Yi Huang

Mr. Hsueh Yi Huang is a member of the Supervisory Board. He is a marketing expert with broad experience as lecturer at Xiamen University and as strategic consultant. Mr. Huang received his MBA from Wisconsin State University and a Management Degree from Boston University majoring in International Business. Previously he served as the CEO's special assistant and Marketing Manager for Thunder Tiger Group, a Taiwanese listed company. He was also the General Manager of Ace Hobby

Distributors, Inc – USA, an overseas subsidiary of Thunder Tiger Group. His consulting experience includes being a strategic consultant to the China subsidiary of Hep Group (Taiwan listed company) and giving lectures on business strategy, marketing and branding for the EMBA courses in Xiamen University, Zhejiang University, Sun Yat Sen University and Nanjing University.

Over the last five years, Mr. Hsueh Yi Huang has been a partner in the following partnerships or a member of administrative, management or supervisory bodies of the following companies outside of Powerland:

Current

- None.

Past

- None.

Compensation of Supervisory Board Members

In accordance with German Stock Corporation Law, the Supervisory Board members do not have service agreements with the Company. As the members of the Company's Supervisory Board are the first members of the Supervisory Board within the meaning of § 30 of the German Stock Corporation Act, according to § 113 para. 2 sentence 1 of the German Stock Corporation Act their remuneration can only be determined by the General Shareholder's Meeting that approves their actions in the first short financial year of the Company, which will be held in 2012. The members of the Management Board and Supervisory Board intend to propose to that General Shareholders' Meeting to adopt the following remuneration for the Supervisory Board members:

Function	**Fixed annual remuneration**	**Variable remuneration**	**Attendance fee for board meetings**
	in EUR		**in EUR**
Chairman of the Supervisory Board	60,000.00	0.1 % of annual net profit	2,500.00
Deputy Chairman of the Supervisory Board	35,000.00	N/A	2,500.00
Ordinary member of the Supervisory Board	20,000.00	N/A	2,500.00

Every member of the Supervisory Board is entitled to reimbursement for expenses incurred for the purpose of his office. The Supervisory Board members are not entitled to any special benefits upon termination of their office.

Stock Option Plan 2011

In connection with a stock option plan (the "**Stock Option Plan 2011**"), the Company intends to grant to certain members of its Management Board and other members of senior management rights to purchase shares in the Company (the "**Stock Options**").

The Company's Supervisory Board is responsible for deciding about the issuance of Stock Options to members of the Management Board and the further details of the issuance. A maximum amount of 500,000 Stock Options may be issued under the Stock Option Plan 2011 within a period of 10 years. The term of such Stock Options commences on the day of the issuance of Stock Options and ends after seven years.

Stock Options may only be exercised after a holding period of four years. Furthermore, the participating member of the Management Board or senior management may only exercise up to 50 % of his or her Stock Options during the first year following expiration of the holding period and further 50 % in the year thereafter. The shares needed for the Stock Option Plan 2011 may be derived from the Company's conditional capital in the amount of EUR 500,000.

The exercise of Stock Options is conditional upon the fulfillment of certain performance targets based on the development of the stock market price for the shares of the Company within the period from issuance to the exercise of the respective Stock Option. The performance targets contained in the Stock Option Plan 2011 relate to the development of the stock market price of the Company's shares in the period from the granting of the Stock Option until the exercise of the Stock Option, and correspond to an average increase of the stock market price of the Company's shares of 8% per year.

The exercise price for Stock Options issued after registration of the conditional capital and before the expiration of 30 days after admission of the Company's shares to trading will be 100% of the price per Offer Share. The exercise price for Stock Options issued at a later date will correspond to the average stock price of the Company's shares on twenty immediately sequent trading days before the date of issuance of such Stock Options. Each Stock Option entitles its holder to purchase one share in the Company from the conditional capital created for this purpose against payment of the exercise price.

According to the laws of the PRC, the Stock Option Plan 2011 needs to be filed with the competent State Administration of Foreign Exchange („**SAFE**") pursuant to notices 78 and 106 issued by SAFE. The Stock Option Plan 2011 has not been registered with SAFE yet and Powerland cannot make a prediction whether or not the Stock Option Plan 2011 can be registered successfully. Should the Stock Option Plan 2011 not be registered, beneficiaries being PRC citizens would not be entitled to receive shares in the Company under the Stock Option Plan 2011.

Certain Information on the Members of the Management Board, Senior Management and Supervisory Board

Over the last five years, no member of the Company's administrative, management or supervisory bodies, in particular, no member of the Management Board, senior management and Supervisory Board:

- was convicted in relation to fraudulent offences;
- was associated with any bankruptcies, receiverships or liquidations in his or her capacity as a member of administrative, management, or supervisory bodies, or senior manager who is relevant to establishing that an issuer has the appropriate expertise and experience for the management of the issuer's business; was publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies);
- has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

At present, the Company has not granted sureties or loans to members of the Management Board, Senior Management and the Supervisory Board nor has it assumed any guarantees for them.

The Company has entered into a directors' and officers' insurance covering the members of the Management Board, Senior Management and the members of the Supervisory Board in its own name.

Members of the Management Board, Senior Management and the Supervisory Board may be contacted at the Company's business address at Powerland AG, Westhafentower, Westhafenplatz 1, 60327 Frankfurt am Main, Germany.

The Company's CEO, Mr. Shunyuan Guo is the cousin of the Company's CPO, Mr. Guo Yongliang. Otherwise, there are no family relationships between the members of the Management Board, Senior Management and members of the Supervisory Board amongst each other.

Shareholdings and Options

As at the date of this Prospectus, the members of the Management Board, other Senior Management, and Supervisory Board have the following shareholdings and options in the Company:

- As at the date of this Prospectus, Mr. Shunyuan Guo, the Company's CEO, holds all shares in Guo GmbH & Co. KG and therefore indirectly 100% of the shares in the Company. As at the date of commencement of trading of the Company's shares at the Prime Standard of the Regulated Market (*Regulierter Markt*) of the Frankfurt Stock Exchange, assuming placement of all New Shares and all Existing Offer Shares, Mr. Shunyuan Guo will hold approximately 57.83% of the shares in the Company, and approximately 52.33% of the shares in the Company in case of a full exercise of the Greenshoe Option (see: "*Shareholder Structure – Prior to the Offering and upon Completion of the Offering*").
- As at the date of commencement of trading of the Company's shares at the Prime Standard of the Regulated Market (*Regulierter Markt*) of the Frankfurt Stock Exchange, Mr. Hock Soon Gan, the Company's CFO, will hold all shares in Global Hedge Services Limited and therefore indirectly 0.50% of the shares in the Company (see: "*Shareholder Structure – Prior to the Offering and upon Completion of the Offering*").

Otherwise, the members of the Management Board, other Senior Management, and Supervisory Board do not hold any shares or options on shares in the Company (see: "*Shareholder Structure – Prior to the Offering and upon Completion of the Offering*").

Conflicts of Interest

Potential conflicts of interest may arise from the direct or indirect shareholdings of Mr. Shunyuan Guo, the Company's CEO, and Mr. Hock Soon Gan, the Company's CFO, in the Company (see: "*Shareholder Structure – Prior to the Offering and upon Completion of the Offering*"). As shareholders they may have a personal interest in the development of the value of their shares in the Company, which may differ from the interests of the Company.

Otherwise, the members of the Management Board, senior management, and Supervisory Board do not have conflicts of interests or potential conflicts of interest between any of their duties to the Company and their private interests or other duties.

General Shareholders' Meeting

General Shareholders' Meetings, including the Annual General Meeting *(Jahreshauptversammlung)* and Extraordinary Shareholders' Meetings *(außerordentliche Hauptversammlung)*, may be held at the Company's registered offices or at the seat of a German stock exchange. The General Shareholders' Meeting must be convened at least 30 days before the end of the day on which the shareholders must register their attendance at the meeting. Shareholders of the Company who have registered for the General Shareholders' Meeting in due time and have proven their eligibility to attend are entitled to attend and exercise their voting rights in the General Shareholders' Meeting. Registration must be received by the Management Board at the Company's registered offices, or at another location announced in the convocation, in the form of a letter, telex, and fax or by other electronic means to be specified by the Company in greater detail in the invitation, no later than the seventh calendar day before the meeting. The shareholders document their eligibility to participate in the General Shareholders' Meeting by certification of their shareholding, prepared in text format by the depository institution (Section 126b of the German Civil Code) in German and referring to the start of the 21st day before the day of the General Shareholders' Meeting. This certification must be received at the place announced in the invitation at the Company's registered offices by no later than seven days before the day of the annual General Shareholders' Meeting. Further details concerning registration, proof of eligibility for participation and the issue of the admission tickets must be announced in the convocation. Each ordinary no par value bearer share confers one vote at the General Shareholders' Meeting. Voting rights may be exercised by proxy.

Unless otherwise provided by the Company's Articles of Association or law, the resolutions of the General Shareholders Meeting are adopted by a simple majority of the votes cast and, insofar as the law requires a majority of the share capital as well as a voting majority, by a simple majority of the share capital represented at the time the resolution is adopted.

According to the German Stock Corporation Act, certain resolutions of fundamental importance require a vote of no less than three-quarters of the registered capital represented at the meeting. Such resolutions include:

- amendments to the Company's Articles of Association;
- capital increases;
- capital reductions;
- the creation or amendment of authorised or conditional capital;
- the transfer of the company's entire assets *(Übertragung des ganzen Gesellschaftsvermögens)* and any reorganisations as set forth in the German Transformation Act *(Umwandlungsgesetz)* such as mergers *(Verschmelzungen)*, spin-offs *(Spaltungen)*, transfer of the company's assets *(Vermögensübertragungen)* and type-changing transformations *(Formwechsel)*;
- the conclusion of agreements establishing contractual corporate groups (such as domination and profit-and-loss-transfer agreements); and
- the dissolution of the Company.

The convening of General Shareholders' Meetings may be initiated by the Management Board, the Supervisory Board or, under certain circumstances, by shareholders holding an aggregate of 5% of the registered share capital. The Supervisory Board must call a General Shareholders' Meeting whenever the interests of the Company require. The Annual General Shareholders' Meeting must be held during the first eight months of each financial year.

According to the Stock Corporations Act, the company must publish the invitation to the General Shareholders' Meeting at least 30 days before the day of the meeting or 30 days before notice of attendance has to be given in the electronic version of the Federal Gazette *(elektronischer Bundesanzeiger)*. To participate in the General Shareholders' Meetings, shareholders must give due notice of their attendance. The deadline for giving the notice of attendance for the General Shareholders' Meeting is published with the invitation but must expire earlier than 7 days prior to the General Shareholders' Meeting.

Corporate Governance

The German Corporate Governance Code in its current version of 26 May 2010 (the "**Code**") contains recommendations and suggestions for managing and supervising German companies listed on a stock exchange. The Code contains provisions relating to shareholders and the General Shareholders Meetings, the Management Board, the Supervisory Board, to transparency, accounting policies and auditing. There is no obligation to comply with the recommendations and suggestions of the Code. However, the German Stock Corporations Act in Section 161 requires the Management Board and Supervisory Board of listed companies to make an annual declaration to the effect whether the company follows the recommendations of the Code or which of the recommendations were or will not be followed, and why they were or will not be followed *(Entsprechenserklärung)* (the "**Declaration of Compliance**"). The Declaration of Compliance must be published on the company's website.

The Company has not intentionally complied with the recommendations and suggestions contained in the Code yet because it has so far not been listed on any stock exchange and therefore the Code did not apply to the Company.

After the Offering and admission to trading of the Company's shares on the Regulated Market of the Frankfurt Stock Exchange, the Company will annually issue and publish a Declaration of Compliance, and to make it continuously available on its website. The Management Board and Supervisory Board of the Company identify with the goals of the Code to foster responsible and transparent corporate management and control, oriented to a sustained increase in company value. The Management Board and Supervisory Board will be largely following the recommendations and suggestions of the Code. Details will be agreed upon between the Management Board and the Supervisory Board.

RELATED PARTY TRANSACTIONS

This section describes the material transactions between Powerland and related parties concluded in the period between 1 January 2008 and the date of this Prospectus. Related parties to the Company include members of the Management Board and the Supervisory Board, including their close family members and companies on which members of the Management Board or Supervisory Board of the Company or their family members may exercise considerable influence or in which they hold a substantial amount of the voting rights. In addition, related parties include companies in which Powerland holds an investment that enables Powerland to exercise considerable influence over the business policies of the company in which it holds such investment. Finally, also the major shareholders of Powerland, including their affiliates are related parties.

The following related parties have concluded material transactions with Powerland within the periods under review:

Related Party (Natural Persons)	**Business conducted outside of Powerland**	**Relation to Powerland**
Mr. Shunyuan Guo	Property investment business mainly in South Africa	CEO
Mr. Shunfa Guo	Shareholder and General manager of Powerland Putian and property investment business mainly in South Africa	The brother of Mr. Shunyuan Guo
Mr. Guoxiong Yu	Shareholder of Powerland Putian	Director of human resources of Powerland and the brother in law of Mr. Shunyuan Guo
Mrs. Qiuxiang Chen	Shareholder of Powerland (Australia) International Trading Co., Ltd.	The wife of Mr. Shunyuan Guo
Mrs. Biyan Guo	Shareholder of Powerland (Australia) International Trading Co., Ltd.	The sister of Mr. Shunyuan Guo

Related Party (Legal Entities)	**Business area**	**Relation to Powerland**
Powerland Putian Trading Co., Ltd. ("**Powerland Putian**")	Mainly engaged in the trading of shoes, cloths and handbags	90% of the shares are held by Mr. Shunfa Guo and 10% of the shares are held by Mr. Guoxiong Yu
Powerland (Australia) International Trading Co., Ltd.	Distribution of Powerland's products in Australia	70% of the shares are held by Mrs. Qiuxiang Chen, the wife of Mr. Shunyuan Guo, and 30% of the shares are held by Mrs. Biyan Guo, the sister of Mr. Shunyuan Guo.

Summary of Transactions with Related Parties

Total Sales Revenue from Related Parties

Sales revenue from the related parties in respect of the time period from 1 January 2008 to the date of the approval of the Prospectus:

	Financial Year 2008	Financial Year 2009	Financial Year 2010	Financial Year 2011 (as of the date of the approval of the Prospectus)
	RMB	RMB	RMB	RMB
Sales Revenue from:				
– Powerland Putian	13,879,326.54 (EUR 1,363,181)	5,212,155.48 (EUR 548,045)	3,292,729.91 (EUR 366,481)	–

Credit Guarantees

Related parties have provided guarantees for certain bank loans of Powerland:

- Mr. Shunyuan Guo provided a joint and several guarantee with a ceiling amount of RMB 140,000,000 (EUR 15,540,000.00) to secure RMB and foreign exchange loans taken out by Powerland Fujian from Agricultural Bank of China ("**ABC**") Xiuyu Branch during the period 1 February 2010 to 31 January 2011. Under such guarantee, as at 31 December 2010, loans have been taken out in the total amount of RMB 106,800,000 (EUR 12,228,000.00), among which loans in the amount of RMB 23,200,000 (EUR 2,575,200.00) are additionally secured by a joint and several guarantee provided by Putian Hongyun Investment Co., Ltd. (non-related party) with a ceiling amount of RMB 44,700,000 (EUR 4,961,700.00), one loan in the amount of RMB 5,000,000 (EUR 555,000.00) is additionally secured by a joint and several guarantee provided by Putian Huanqiu Timber Co., Ltd. (non-related party) with a ceiling amount of RMB 5,000,000 (EUR 555,000.00), loans in the amount of RMB 7,600,000 (EUR 843,600.00) are additionally secured by a joint and several guarantee provided by Fujian Xinhe Group (non-related party) and Mr. Lin Jinlai (non-related party), eight loans in the total amount of RMB 38,500,000 (EUR 4,273,500.00) are additionally secured by the mortgage provided by Powerland Fujian with a ceiling amount of RMB 71,000,000 (EUR 7,881,000.00) and one loan in the total amount of RMB 4,350,000 (EUR 482,850.00) is additionally secured by the mortgage provided by Powerland Fujian.
- Mr. Shunyuan Guo, Mr. Jinhui Wang (non-related party) and Guangdong Dajin Trading Co., Ltd. (non-related party) provided a joint and several guarantee to secure a loan in the amount of RMB 30,000,000 (EUR 3,330,000.00) taken out by Powerland Guangzhou from ABC Huadu Branch with a term from 1 February 2010 to 31 January 2011. Mr. Jinhui Wang and Guangdong Dajin Trading Co., Ltd. are not related parties to Powerland.
- Powerland Fujian and Mr. Shunyuan Guo provided a joint and several guarantee with a ceiling amount of RMB 25,000,000 (EUR 2,775,000.00) to secure loans by Powerland Guangzhou under a credit facility agreement concluded between Powerland Guangzhou and Guangdong Development Bank Huadu Branch („**GDB**") with a credit facility of up to RMB 25,000,000 (EUR 2,775,000.00). The guarantee was provided to secure loans taken out by Powerland Guangzhou from GDB from 11 May 2010 to 10 May 2011. Under such credit facility, Powerland Guangzhou has taken out two loans in the total amount of RMB 25,000,000 (EUR 2,775,000.00), which are additionally secured by the mortgage provided by Powerland Guangzhou.
- Mr. Shunyuan Guo provided a joint and several guarantee to secure loan taken out by Powerland Guangzhou from Guangzhou Rural Commercial Bank Nanpu Sub-branch with the total principal amount of RMB 30,000,000 (EUR 3,435,000.00) during the period from 19 October 2010 to 19 October 2013. The loan is additionally secured by a mortgage provided by Powerland Guangzhou with a ceiling amount of RMB 71,000,000 (EUR 8,129,500.00).

None of the guarantees were provided against consideration.

Transfer of Shares in Powerland Fujian and Powerland Guangzhou to Powerland Hong Kong

On 6 December 2010, Mr. Shunyuan Guo and Powerland Hong Kong concluded an equity transfer agreement, pursuant to which Mr. Guo transferred 100% of the equity interests in Powerland Fujian to Powerland Hong Kong with a purchase price of EUR 17,107 thousand (RMB 151,386,735.20), i.e. the net assets appraised value. The purchase price of EUR 17,107 thousand (RMB 151,386,735.20) was not paid by Powerland Hong Kong as Mr. Shunyuan Guo contributed his claim for purchase price payment against Powerland Hong Kong to Powerland Hong Kong's capital reserves.

On 6 December 2010, Mr. Shunyuan Guo and Powerland Hong Kong concluded an equity transfer agreement, pursuant to which Mr. Guo transferred 100% of the equity interests in Powerland Guangzhou to Powerland Hong Kong with a purchase price of EUR 3,958 thousand (RMB 34,687,898.72), i.e. the net assets appraised value. The purchase price of EUR 3,958 thousand (RMB 34,687,898.72) was not paid by Powerland Hong Kong as Mr. Shunyuan Guo contributed his claim for purchase price payment against Powerland Hong Kong to Powerland Hong Kong's capital reserves.

Guarantee Relating to Taxes

On 18 February 2011, Mr. Shunyuan Guo issued a letter of undertaking under which he undertook that if Powerland Fujian and Powerland Guangzhou are required by the competent government authorities to make up the payment of outstanding taxes and are subject to fines or bear the losses because they failed to pay the taxes in full amount, he would reimburse Powerland Fujian and Powerland Guangzhou in full amount of their expenditure and losses incurred therefrom. Powerland Fujian and Powerland Guangzhou shall not pay any consideration for such undertaking.

Guarantee Relating to Social Security and Housing Funds Payments

On 18 February 2011, Mr. Shunyuan Guo issued a letter of undertaking under which he undertook that if Powerland Fujian and Powerland Guangzhou are required by the competent government authorities to make up the payment of outstanding social security and housing funds to their employees and are subject to fines or bear the losses because they failed to pay the social security and housing funds in full amounts to their employees, he would reimburse Powerland Fujian and Powerland Guangzhou in full amount of their expenditure and losses incurred therefrom. Powerland Fujian and Powerland Guangzhou shall not pay any consideration for such undertaking.

Debt Waiver Confirmation

On 25 February 2011, Mr. Shunyuan Guo concluded a debt waiver confirmation with Powerland Hong Kong to document the oral agreement between Mr. Shunyuan Guo and Powerland Hong Kong in December 2010 that Mr. Shunyuan Guo would waive all of his rights, interests and claims against Powerland Hong Kong arising from or in relation to the payment of the purchase price of RMB 34,687,898.72 (EUR 3,958 thousand) for the acquisition of Powerland Guangzhou by Powerland Hong Kong from Mr. Shunyuan Guo and of the purchase price of RMB 151,386,735.20 (EUR 17,107 thousand) for the acquisition of Powerland Fujian by Powerland Hong Kong from Mr. Shunyuan Guo. Mr. Shunyuan Guo also unconditionally and irrevocably agreed that Powerland Hong Kong may in its absolute discretion to treat the waived claim to be a part of the reserves of Powerland Hong Kong or otherwise.

Taxation In Germany

The following section describes certain material German tax principles that may become relevant when acquiring, holding or transferring shares. This section is not a comprehensive or complete description of all German tax aspects that may be relevant for shareholders. It is based on the German tax laws applicable as of the date of this Prospectus and on the provisions of double taxation treaties entered into between Germany and other countries as of this date. In both areas the law may change, possibly also with retroactive effect.

Potential purchasers of the Company's shares should consult their tax advisors with respect to the tax consequences of acquiring, holding and transferring shares and with respect to the procedure to be complied with to obtain a refund of German withholding tax paid *(Kapitalertragsteuer).* The specific tax situation of each shareholder can only be addressed adequately by means of individual tax advice.

Taxation of the Company

In Germany, corporations are generally subject to corporate income tax at a rate of 15% plus a 5.5% solidarity surcharge *(Solidaritätszuschlag)* thereon (in total 15.825%). In addition, German corporations are subject to trade tax *(Gewerbesteuer)* with their income from permanent establishments in Germany subject to certain adjustments for trade tax purposes, the trade taxable income *(Gewerbeertrag)*. The trade tax depends on the municipalities in which the corporation maintains permanent establishments. As a general rule, the effective trade tax rate varies between 12% and 20% of the trade taxable income depending in each case on the trade tax rate of the relevant municipality.

Interest expense is only deductible in the event the Company is in compliance with the so-called interest barrier *(Zinsschranke)*. The interest barrier restricts the deductibility of interest expense to 30% of the earnings before interest, taxes, depreciation and amortisation (EBITDA) determined for tax purposes for corporate income tax and trade tax purposes. The non-deductible part of the interest expense can be carried forward to future fiscal years and might reduce the taxable profit of the Company in the future if the interest expense in such period is deductible under the interest barrier. There is a risk that the non-deductible part of interest expense might be forfeited, e.g. in case of restructurings or in case of the termination of the business. The interest barrier will not apply if the interest expense is less than EUR 3 million or in the event the Company complies with the so-called "escape clause", provided there is no harmful shareholder debt financing. The escape clause stipulates the complete deductibility of interest expense in the event that the Company's equity ratio is not lower than that of the group. For this purpose the equity ratios of the financial statements at the end of the preceding business year end are relevant. Only in case that there is no harmful shareholder debt financing, the escape clause will be applicable. A harmful shareholder debt financing is existing if the shareholder (holding directly or indirectly more than 25% of the shares) or any related party hereto or any third party who has a right of recourse against the shareholder or a related party hereto receives interest exceeding 10% of the negative interest balance (difference between interest income and interest expenses) from the respective corporation or from another affiliated company.

Dividend income that the Company receives from corporations domiciled outside Germany such as Powerland Hong Kong is generally exempt from corporate income tax. However, 5% of the tax exempt dividend income is deemed to be a non-deductible business expense for corporate income tax purposes, and as a result is subject to corporate income tax (plus solidarity surcharge).

Dividend income of the Company derived from its shares in Powerland Hong Kong will be subject to trade tax. However, such dividend income of the Company will be exempt from trade tax but for 5%, if specific preconditions are fulfilled (Section 9 No. 7 of the Trade Tax Act).

Dividend income of Powerland Hong Kong may be exempt from trade tax upon application by the Company if (i) the Company owns a participation of at least 15% in a foreign subsidiary indirectly (Second-tier Subsidiary), such as Powerland Fujian via Powerland Hong Kong, (ii) the Second-tier Subsidiary distributes its dividends within the same business year, (iii) the Second-tier Subsidiary, such as Powerland Fujian, exclusively or almost exclusively generates its gross profits from an active business or trade within the meaning of Sec. 8 (1) Nos. 1–6 Foreign Tax Act, and (iv) Powerland Hong Kong owns a participation of at least 15% in Powerland Fujian. Since Powerland Fujian should have exclusively or almost exclusively an active business as defined in Sec. 8 (1) Nos. 1–6 Foreign Tax Act, the trade tax exemption should apply. The trade tax exemption applies to dividends which correspond to the participation rate of the Company in Powerland Hong Kong. If Powerland Hong Kong realises other profits than dividends received from Powerland Fujian, the trade tax exemption applies only to dividends of Powerland Hong Kong which correspond to the ratio between the dividends received from Powerland Fujian and all profits of Powerland Hong Kong. In any case the trade tax exemption is limited to the amount of dividends received from Powerland Fujian. In addition, the trade tax exemption requires proof of its requirements.

Corporate income tax and trade tax losses incurred by the Company in one year may be carried back to the immediately preceding assessment period up to an amount of EUR 511,500. Any remaining losses may only be offset within certain restrictions against profits from future years (so-called "minimum taxation"). Up to an amount of EUR 1 million taxable profits may be offset against existing tax loss carry forwards without limitation. Taxable profits in excess of EUR 1 million may be offset against existing tax loss carry forwards for corporate income and trade tax purposes only by 60%. Unused tax loss carry forwards may be carried forward indefinitely.

Taxation of Shareholders

Shareholders are subject to tax in particular in connection with the holding of shares (taxation of dividends), the disposal of shares (taxation of capital gains) and the gratuitous transfer of shares (inheritance and gift tax).

Taxation of Dividends

Withholding Tax

Generally, the Company must withhold tax on its dividend distributions at a rate of 25% plus a 5.5% solidarity surcharge thereon (in total 26.375%) and is thus responsible for withholding amounts corresponding to such taxation at source.

Such withholding tax is levied and withheld irrespective of whether and to what extent the dividend distribution is taxable at the level of the shareholder and whether the shareholder resides inside or outside Germany. Certain exceptions may apply to corporations in another EU Member State to which the EU Parent/Subsidiary Directive (90/435/ EEC of 23 July 1990, as amended) applies. A partial exemption may also be available under a respective double taxation treaty. In these cases the restrictive preconditions according to Section 50d (3) Income Tax Act have to be fulfilled. Application forms may be obtained from the German Federal Tax Office *(Bundeszentralamt für Steuern)*, An der Kuppe 1, 53225 Bonn, Germany (www.bzst.bund.de) as well as from German embassies and consulates.

Dividends to a corporation domiciled outside of Germany are subject to a reduced withholding tax (irrespective of any double taxation treaties) in the event the shares do not constitute an asset of a permanent establishment in Germany nor an asset for which a permanent representative has been appointed in Germany. In this case, 2/5 of the withholding tax will be refunded upon application. The refund requires that the corporation fulfils the preconditions of Section 50d (3) Income Tax Act. Refund application forms may be obtained from the German Federal Central Tax Office *(Bundeszentralamt für Steuern)*, An der Kuppe 1, 53225 Bonn, Germany (www.bzst.bund.de) as well as from German embassies and consulates. A further reduction or refund under an applicable double taxation treaty is possible.

For shareholders resident in Germany (i. e., shareholders whose residence, habitual abode, management, or domicile is located in Germany) holding their shares as business assets as well as for shareholders residing outside Germany (foreign shareholders) holding their shares in a permanent establishment or a fixed base in Germany, or as assets for which a permanent representative has been appointed in Germany, the tax withheld is credited against the shareholders' personal income tax or corporate income tax liability. Any tax withheld in excess of the shareholders' personal tax liability is refunded. The same principles apply to the solidarity surcharge.

Taxation of Dividend Income of Investors Resident in Germany Holding their Shares as Private Assets

For individual shareholders resident in Germany holding their shares as private assets dividends are subject to the final flat tax *(Abgeltungsteuer)*. Under this regime dividend income of private investors will be taxed at the principal final flat tax rate of 25% plus a 5.5% solidarity surcharge thereon (aggregate tax burden: 26.375%) and church tax if applicable. Except for an annual lump sum allowance *(Sparerpauschbetrag)* of EUR 801 (EUR 1,602 for married couples filing jointly), private investors will not be entitled to deduct expenses incurred in connection with the capital investments from their dividend income. If the flat tax results in a higher tax burden as opposed to the private investor's individual tax rate the investor may opt for taxation at his individual tax rate. The withholding tax will be credited against the income tax. Private investors are not entitled to deduct expenses incurred in connection with the capital investments from their income except of the annual lump sum allowance even if they opt for taxation at their individual tax rate. This option may be exercised only for all capital income from capital investments received in the relevant assessment period uniformly and married couples filing jointly may only jointly exercise the option.

Taxation of Dividend Income of Investors Resident in Germany Holding their Shares as Business Assets

If shares are held as business assets of a shareholder, the taxation depends on whether the shareholder is a corporation, a sole proprietor, or a partnership *(Mitunternehmerschaft)*:

Corporations. Dividend distributions to corporate shareholders are generally exempt from corporate income tax. However, 5% of the tax-exempt dividend income is deemed to be a non-deductible business expense for tax purposes and is therefore subject to corporate income tax (plus solidarity surcharge) and trade tax. Business expenses actually incurred in connection with the shares are entirely tax deductible. 95% of dividend income must be added back when determining the trade taxable income and is therefore subject to trade tax unless the investor holds at least 15% of the share capital of the Company at the beginning of the relevant assessment period. Special rules for banks, financial services institutions, financial enterprises, life and health insurance companies, and pension funds, are described below.

Sole Proprietors. For sole proprietors holding their shares as business assets, generally 60% of the dividend distributions are taxable. Correspondingly, 60% of the business expenses related to the dividend income are deductible for tax purposes (subject to any other restrictions on deductibility). In addition, dividends are entirely subject to trade tax if the shares are held as a business asset of a permanent establishment in Germany and if the shareholder does not hold at least 15% of the share capital of the Company at the beginning of the relevant assessment period. The trade tax levied – depending on the municipal trade tax rate and the individual tax situation – is partly or entirely credited against the shareholder's personal income tax liability.

Partnerships. If shares are held by a partnership, personal income tax or corporate income tax is levied only at the level of the partners. If a partner is subject to corporate income tax, dividends are generally tax-exempt to 95% (see: *"Taxation of Shareholders – Taxation of Dividend Income by Investors Resident in Germany Holding their Shares as Business Assets – Corporations").* If the partner is subject to personal income tax, 60% of the dividends are taxable and 60% of the business expenses related to dividend income are deductible (see: *"Taxation of Shareholders – Taxation of Dividend Income by Investors Resident in Germany Holding their Shares as Business Assets – Sole Proprietors")*. At the level of a partnership which is liable to trade tax, the entire dividends are subject to trade tax if the partnership does not hold at least 15% of the share capital of the Company at the beginning of the relevant assessment period. However, depending on the applicable municipal trade tax rate and individual circumstances, the trade tax paid at the level of a partnership may partly or entirely be credited against the personal income tax liability of the partners if the partners are natural persons.

If the partnership holds 15% of the share capital of the Company at the beginning of the relevant assessment period, only 5% of the dividends are subject to trade tax in the event the partners are corporations or the dividends are trade tax exempt in the event the partners are individuals.

Taxation of Dividend Income of Investors not Resident in Germany

For foreign shareholders who do not hold their shares in a permanent establishment or a fixed base in Germany, or as an asset for which a permanent representative has been appointed in Germany, the German tax liability is, in principle, satisfied upon deduction of withholding tax (possibly reduced by way of a refund under a double taxation treaty or EU Parent/Subsidiary Directive (90/435/ EEC of 23 July 1990, as amended or 2/5 of the withholding tax may be refunded in some cases.)

However, shareholders who hold their shares in a permanent establishment or a fixed base in Germany, or in business assets for which a permanent representative has been appointed in Germany, are subject to the same rules described above for shareholders resident in Germany.

Taxation of Capital Gains

Taxation of Capital Gains of Investors Resident in Germany Holding their Shares as Private Assets

Any gains from the sale or redemption of the shares will be subject to a final flat tax *(Abgeltungsteuer)* of 25% plus a solidarity surcharge of 5.5% thereon resulting in an aggregate tax burden of 26.375%. Except for an annual lump sum allowance *(Sparerpauschbetrag)* of EUR 801 (EUR 1,602 for married couples filing jointly) private investors will not be entitled to deduct expenses incurred in connection with the capital investments from their capital gain. If the flat tax results in a higher tax burden as opposed to the private investor's individual tax rate the investor may opt for taxation at his individual tax rate. Private investors are not entitled to deduct expenses incurred in connection with the capital investments from their income except for the annual lump sum allowance even if they opt for taxation at their individual tax rate. The option may only be exercised for all capital gains and income from capital investments received in the relevant assessment period uniformly and married couples filing jointly may only exercise the option jointly.

Losses from the disposition of the shares may only be offset against other capital gains resulting from the disposition of shares in the Company and in other stock corporations. Offsetting of overall losses with other income (e.g. business or rental income) and other capital income is not possible. Such losses are to be carried forward and to be offset against positive capital gains deriving from the sale of shares in future years.

The general flat tax will not apply if the seller of the shares or, in case of gratuitous transfer, its legal predecessor has held, directly or indirectly, at least 1% of the share capital of the Company at any time during the five years prior to the disposal. 60% of the capital gains are taxed upon this disposal.

Capital gains are principally subject to withholding tax of 25% plus 5.5% solidarity surcharge thereon (in total 26.375%) in the event a German credit or financial institution (including a German branch of a foreign credit or financial institution) or a German securities trading company or a German securities trading bank (all institutions mentioned before together "paying agent") stores or administrates or carries out the sale of the shares and pays or credits the capital income. If the shares have not been acquired by such paying agent and administered thereafter, e.g. in case of a change of administration *(Depotwechsel)*, withholding tax may be levied on 30% of the sale proceeds.

Taxation of Capital Gains of Investors Resident in Germany Holding their Shares as Business Assets

If shares are held as business assets of a shareholder, the taxation of capital gains realised upon disposal depends on whether the shareholder is a corporation, a sole proprietor, or a partnership:

Corporations. Capital gains realised by a corporate shareholder upon disposal of shares are generally exempt from corporate income tax and trade tax. Capital gains for this purpose is the amount by which the selling price or the equivalent value after deduction of selling costs exceeds the tax base at the time of disposal. However, 5% of the capital gain is deemed to be a non-deductible business expense and is therefore subject to corporate income and trade tax. Losses incurred upon the disposal of shares or other impairments of the shares' value are not tax deductible. A reduction of profit is also defined as any losses incurred in connection with a loan or security in the event the loan or the security is granted by a shareholder or by a related person thereto or by a third person with the right of recourse against the before mentioned persons and the shareholder holds directly or indirectly 25% or more of the share capital of the Company. Special rules for banks, financial services institutions, financial enterprises, life and health insurance companies, and pension funds, are described below.

Sole Proprietors. If the shares are held by sole proprietors, 60% of the capital gains realised upon disposal are taxed. Correspondingly, 60% of the business expenses related to such capital gains and 60% of any losses incurred upon disposal of shares are tax deductible. In addition, 60% of the capital gains are subject to trade tax if the sole proprietor is subject to trade tax. However, trade tax is partly or entirely credited against the shareholder's personal income tax liability depending on the applicable municipal trade tax rate and individual circumstances.

Partnerships. If the shareholder is a partnership, taxation depends on whether the partners are subject to personal income tax or corporate income tax: If the partners are subject to corporate income tax, any capital gains are generally tax exempt in amount of 95% (see: *"Taxation of Shareholders – Taxation of Capital Gains of Investors Resident in Germany Holding Their Shares as Business Assets – Corporations").* If the partners are subject to personal income tax, 60% of the capital gains are taxable (see: *"Taxation of Shareholders – Taxation of Capital Gains of Investors Resident in Germany Holding Their Shares as Business Assets – Sole Proprietors").* For information on the deductibility of business expenses relating to capital gains and disposal losses for partners who are subject to corporate income tax see also *"Taxation of Shareholders – Taxation of Capital Gains of Investors Resident in Germany Holding Their Shares as Business Assets – Corporations"* and see above *"Taxation of Shareholders – Taxation of Capital Gains of Investors Resident in Germany Holding Their Shares as Business Assets – Sole Proprietors"* for information with respect to partners who are subject to personal income tax. In addition, 60% of the capital gains are subject to trade tax at the level of a partnership if the partnership is liable to trade tax and the partners are individuals and 5% of the capital gains are subject to trade tax if partners are corporations. However, the trade tax paid at the level of a partnership may partly or entirely be credited – depending on the applicable municipal trade tax rate and individual circumstances – against the personal income tax liability of the partners who are individuals.

Special rules for banks, financial services institutions, financial enterprises, life and health insurance companies, and pension funds, are described below.

For capital gains of a corporation, no withholding tax is assessed. This applies also to capital gains attributable to business assets if additional documentation requirements are met.

Taxation of Capital Gains of Shareholders Resident outside Germany

Capital gains realised upon disposal of shares by a shareholder resident outside Germany are only subject to German income tax (plus solidarity surcharge) in the event (i) the shares are held in a permanent establishment or through a fixed base in Germany, or held as assets for which a permanent representative has been appointed in Germany or (ii) the Selling Shareholders or, in case of a gratuitous transfer, its legal predecessor has held, directly or indirectly, at least 1% of the share capital of the Company at any time during the five year period prior to the disposal. In this case:

5% of the capital gain is subject to corporate income tax and solidarity surcharge, if the shareholder is a corporation; and

60% of the capital gain is taxed in all other cases.

However, some of the German double taxation treaties provide for a complete exemption from German taxation (except in case (i)) in such cases and assign the right to tax to the shareholder's State of residence. In this case, no withholding tax is assessed upon the sale provided sufficient proof of the foreign tax status is given. Otherwise, withholding tax of 25% plus 5.5% solidarity surcharge thereon (in total 26.375%) may be levied in the event a German credit or financial institution (including a German branch of a foreign credit or financial institution) or a German securities trading company or a German securities trading bank (all institutions mentioned before together "paying agent") stores or administrates or carries out the sale of the shares and pays or credits the capital income. In these cases, for foreign corporations, withholding tax may be refunded by 2/5 if certain preconditions are met.

Capital gains realised upon disposal of shares held in a permanent establishment or through a fixed base in Germany, or held as assets for which a permanent representative has been appointed in Germany, are subject to the same rules as described above for shareholders resident in Germany.

Special Rules for Banks, Financial Services Institutions, Financial Institutions, Life and Health Insurance Companies, and Pension Funds

To the extent banks and financial services institutions hold shares that are attributable to their trading book pursuant to Section 1 paragraph 12 of the German Banking Act *(Kreditwesengesetz)* neither the standard tax exemption for corporations nor the part-income system applies to dividend income received or to capital gains or losses realised upon the disposal of shares, i.e. dividend income and capital gains are fully subject to corporate income tax or personal income tax and, if applicable, to trade tax. The same applies to shares that were acquired by financial institutions within the meaning of the German Banking Act in order to realise short-term proprietary trading gains. Furthermore, this applies to banks, financial services institutions and financial institutions domiciled in another Member State of the European Community or another contracting party to the EEA Agreement. The standard tax exemption for corporations neither applies to dividends received nor to capital gains or losses if the shares are attributable to the capital investments *(Kapitalanlagen)* of life and health insurance companies or pension funds. Certain exceptions may apply to corporations if the EU Parent/Subsidiary Directive (90/435/EEC of 23 July 1990, as amended) applies to the Company's dividends and the preconditions of Section 50d (3) Income Tax Act are fulfilled.

Inheritance and Gift Tax

The transfer of shares by way of gift or succession is, in principle, subject to German inheritance and gift tax in particular if one of the following criteria is met:

(i) The testator, donor, heir, donee, or any other beneficiary has his or her residence or habitual abode, registered domicile or place of management in Germany at the time of the transfer or is a German Citizen who has not stayed abroad for more than five years without having a residence in Germany;

(ii) Irrespective of these personal circumstances, the shares are held as business assets for which a permanent establishment is maintained or a permanent representative is appointed in Germany; or

(iii) At the time of succession or donation, the testator or donor held, either alone or with other closely related persons, directly or indirectly, at least 10% of the registered share capital of the Company.

The few double taxation treaties on inheritance and gift tax which Germany has entered into generally provide that German inheritance or gift tax is levied only in case (i) and, with certain restrictions, in case (ii). Special provisions apply to certain German expatriates and former German Citizens.

Other Taxes

No German capital transfer tax, value-added tax, stamp duty, or similar tax is levied on the acquisition, sale, or other forms of transferring shares. However, an entrepreneur may opt for value-added tax being levied on a transaction that is normally tax-exempt if the transaction is executed for the enterprise of another entrepreneur. Net wealth tax *(Vermögenssteuer)* is currently not levied in Germany.

TAXATION IN THE GRAND DUCHY OF LUXEMBOURG

General

The following information is of a general nature only and is based on the Company's understanding of certain aspects of the laws and practice in force in Luxembourg as of the date of this Prospectus. It does not purport to be a comprehensive description of all of the tax considerations that might be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. It is a description of the essential material Luxembourg tax consequences with respect to the shares and may not include tax considerations that arise from rules of general application or that are generally assumed to be known to shareholders. This summary is based on the laws in force in Luxembourg on the date of this Prospectus and is subject to any change in law that may take effect after such date. Prospective shareholders should consult their professional advisors with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject and as to their tax position.

Please be aware that the residence concept used under the respective headings applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax *(impôt sur le revenu des collectivités)*, municipal business tax *(impôt commercial communal)*, a solidarity surcharge *(contribution au fonds pour l'emploi)*, as well as personal income tax *(impôt sur le revenu)* generally. Shareholders may further be subject to net worth tax *(impôt sur la fortune)* as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding Tax

Dividend payments made to the shareholders by the Company, as well as liquidation proceeds and capital gains derived by shareholders from the shares of the Company, are not subject to a withholding tax in Luxembourg.

Taxation of the Shareholders

Luxembourg Tax Residency of the Shareholders

A shareholder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding and/or disposing of the shares or the execution, performance or enforcement of his/her rights thereunder.

Income Tax

Luxembourg Resident Individuals

Dividends and other payments derived from the shares by resident individual shareholders, who act in the course of the management of either their private wealth or their professional/business activity, are subject to income tax at the ordinary progressive rates. A tax credit may generally be granted for German withholding tax levied. Under current Luxembourg tax law, 50% of the gross amount of dividends received by resident individual shareholders from the Company are exempt.

Capital gains realised on the disposal of the shares by resident individual shareholders, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains are deemed to be speculative and are subject to income tax at ordinary rates if the shares are disposed of within 6 months after their acquisition or if their disposal precedes their acquisition. A participation is deemed to be substantial where a resident individual shareholder holds or has held, either alone or together with his spouse or partner and/or minor children, directly or indirectly at any time within the 5 years preceding the disposal, more than 10% of the share capital of the company whose shares are being disposed of. A shareholder is also deemed to alienate a substantial participation if he acquired free of charge, within the 5 years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same 5-year period). Capital gains realised on a substantial participation more than 6 months after the acquisition thereof are taxed according to the half-global rate method, (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realised on the substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the participation.

Capital gains realised on the disposal of the shares by resident individual Shareholders, who act in the course of their professional/business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the lower of their cost or book value.

Luxembourg Corporate Residents

Dividends and other payments derived from the shares by Luxembourg resident fully-taxable companies are subject to income taxes, unless the conditions of the participation exemption regime, as described below, are satisfied. A tax credit may in some cases be granted for German withholding tax levied. If the conditions of the participation exemption regime are not met, 50% of the gross amount of dividends received by resident shareholders from the Company are exempt.

Under the participation exemption regime, dividends derived from the shares may be exempt from Luxembourg income tax if (i) the shareholder is a Luxembourg resident fully-taxable company and (ii) at the time the dividend is put at the shareholder's disposal, the shareholder has held or commits itself to hold for an uninterrupted period of at least 12 months shares representing a direct participation in the Company of either (a) at least 10% of the share capital or (b) an acquisition price of at least EUR 1.2 million ("**Qualified Shareholding**"). Shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Capital gains realised by a Luxembourg fully-taxable resident company on the shares are subject to Luxembourg income tax at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied. Under the participation exemption regime, capital gains realised on the shares may be exempt from Luxembourg income tax at the level of the shareholder if (i) the shareholder is a Luxembourg resident fully-taxable company and (ii) at the time the capital gain is realised, the shareholder has held or commits itself to hold for an uninterrupted period of at least 12 months shares representing a direct participation in the Company of either (a) at least 10% of the share capital or (b) an acquisition price of at least EUR 6 million. Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the lower of their cost or book value.

Luxembourg Residents Benefiting from a Special Tax Regime

A shareholder who is either (i) an undertaking for collective investment governed by the amended law of 20 December 2002, (ii) a specialised investment fund governed by the law of 13 February 2007 or (iii) a family wealth management company governed by the law of 11 May 2007 is exempt from Luxembourg income tax in Luxembourg. Dividends derived from and capital gains realised on the shares are thus not subject to Luxembourg income tax in their hands.

Taxation of Luxembourg Non-Resident Shareholders

Non-resident shareholders, who have neither a permanent establishment nor a permanent representative in Luxembourg to which or whom the shares are attributable, are not liable to any Luxembourg income tax on income and gains derived from the shares.

Non-resident shareholders who have a permanent establishment or a permanent representative in Luxembourg to which or whom the shares are attributable, must include any income received, as well as any gain realised on the sale, disposal or redemption of shares, in their taxable income for Luxembourg tax assessment purposes, unless the conditions of the participation exemption regime, as described below, are satisfied. If the conditions of the participation exemption are not fulfilled, 50 % of the gross amount of dividends received from the Company are exempt. Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the lower of their cost or book value.

Under the participation exemption regime, dividends derived from the shares may be exempt from Luxembourg income tax if cumulatively (i) the shares are attributable to a qualified permanent establishment ("**Qualified Permanent Establishment**") and (ii) at the time the dividend is put at the disposal of the Qualified Permanent Establishment, it has held or commits itself to hold for an uninterrupted period of at least 12 months a Qualified Shareholding in the Company. A Qualified Permanent Establishment means (a) a Luxembourg permanent establishment of a company covered by Article 2 of the European Union Parent-Subsidiary Directive, (b) a Luxembourg permanent establishment of a company limited by share capital *(société de capitaux)* resident in a State having a tax treaty with Luxembourg and (c) a Luxembourg permanent establishment of a company limited by share capital *(société de capitaux)* or a cooperative society *(société coopérative)* resident in the European Economic Area other than a European Union Member State. Shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Under the participation exemption regime, capital gains realised on the shares may be exempt from Luxembourg income tax if cumulatively (i) the shares are attributable to a Qualified Permanent Establishment and (ii) at the time the capital gain is realised, the Qualified Permanent Establishment has held or commits itself to hold for an uninterrupted period of at least 12 months shares representing a direct participation in the Company of either (a) at least 10 % of the share capital or (b) an acquisition price of at least EUR 6 million.

Net Worth Tax

Luxembourg resident shareholders, as well as non-resident shareholders who have a permanent establishment or a permanent representative in Luxembourg to which the shares are attributable, are subject to Luxembourg net worth tax on such shares, except if the shareholders is (i) an individual, (ii) an undertaking for collective investment subject to the amended law of 20 December 2002, (iii) a securitisation company governed by the law of 22 March 2004 on securitisation, (iv) a company governed by the law of 15 June 2004 on venture capital vehicles, (v) a specialised investment fund governed by the law of 13 February 2007 or (vi) a family wealth management company governed by the law of 11 May 2007.

Under the participation exemption, a Qualified Shareholding in the Company held by a Luxembourg resident fully-taxable company or attributable to a Qualified Permanent Establishment is exempt.

Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the shareholders as a consequence of the issuance or transfer of shares, unless recorded in a notarial deed or otherwise registered in Luxembourg (which is generally not mandatory).

No estate or inheritance taxes are levied on the transfer of the shares upon death of a shareholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Gift tax may be due on a gift or donation of the shares, if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

UNDERWRITING

Underwriting Agreement

Subject to the fulfilment of certain terms and conditions set out in the underwriting agreement entered into on 23 March 2011 (the "**Underwriting Agreement**") between the Company, the Existing Shareholders and the Underwriters, the Company has agreed to offer for subscription New Shares at the notional value of EUR 1.00 per New Share to Macquarie in its own name but for the account of the Underwriters, and the Underwriters have severally agreed to procure purchasers for the New Shares. After the Offering, the Underwriters will pay the difference between the offer price for the New Shares and their notional value (less agreed commissions and expenses) to the Company at the time of delivery of the New Shares.

The following table shows the underwriting commitment of each Underwriter in connection with the Offering in accordance with the Underwriting Agreement, and subject to the fulfilment and occurrence of certain conditions precedent:

Underwriters	Underwriting Commitments as a Percentage
Macquarie Capital (Europe) Limited, Untermainanlage 1, 60329 Frankfurt am Main, Germany	81.5 %
Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany	18.5 %

Greenshoe Option and Securities Loan

With regard to a potential over-allotment, 825,000 no par value ordinary bearer shares *(Inhaber-Stückaktien)* of the Selling Shareholder will be granted to Macquarie, for the account of the Underwriters, by way of a securities loan. The Selling Shareholder has further granted Macquarie, for the account of the Underwriters, an option to acquire all or some of the Greenshoe Shares at the offer price less agreed commission. This option expires 30 calendar days after the commencement of trading of the shares.

Commissions

The Company and the Selling Shareholder will pay the Underwriters a commission of 4.75 % of the gross proceeds from the Offering (including the proceeds from the exercise of the Greenshoe Option). The gross proceeds from the Offering will be calculated by multiplying the number of Offer Shares actually sold by the offer price. In addition, the Company and the Selling Shareholder may at their discretion pay the Underwriters incentive fees of up to 0.625 % of the gross proceeds from the Offering.

In addition, the Company will pay to the Sole Global Coordinator a corporate finance remuneration of EUR 120,000 for the services rendered in connection with the listing of the Company's shares.

Termination/Indemnity

The Underwriting Agreement provides that the Underwriters or the Sole Global Coordinator on behalf of the Underwriters may terminate the Underwriting Agreement under certain circumstances, even after the shares have been allocated and listed, up to delivery and settlement. Such circumstances include in particular an adverse change or prospective adverse change in the assets, financial condition or results of operations or an impairment of the business of the Company or one of its subsidiaries, a material change in the management structure of the Company a complete or partial suspension of trading on the Frankfurt, London or New York Stock Exchanges or an adverse change in the national or international financial, political, industrial, economic or legal conditions or capital markets conditions or currency exchange rates or an outbreak or escalation of hostilities or terrorist activities.

If the Underwriting Agreement is terminated, the Offering will not take place. In such case, New Shares which have already been allocated to investors will be invalidated and investors will have no claim for delivery. Claims relating to any subscription fees paid and costs incurred by any investor in connection with the subscription are governed solely by the legal relationship between the investor and the institution to which the investor submitted its purchase order. Investors who have engaged in short sales of shares will bear the risk of not being able to fulfil their delivery obligations in connection with such sale.

The Company and its subsidiaries have agreed in the Underwriting Agreement to indemnify and hold harmless each Underwriter and its directors, officers, partners and employees, any affiliate of such Underwriter and each person who may be deemed to control such Underwriter (each an "**Indemnified Person**") against any losses, claims, damages, liabilities, charges, expenses or demands (or actions in respect thereof) ("**Losses**") to which such Indemnified Person may become subject and which arise out of, or in relation to, or in connection with (i) any breach by the Company or the Subsidiaries of their representations and warranties pursuant to the Underwriting Agreement or (ii) any untrue statement of a material fact contained in the Prospectus or any omission to state therein a material fact required to be stated therein necessary to make the statements therein not misleading. In each such case, the Company and the Subsidiaries will in addition reimburse each Indemnified Person for any properly documented legal or other expenses (together with any amount equal to VAT, if applicable) incurred by such Indemnified Person in connection with investigation or defending any such action or claim including with respect to an alleged breach, alleged untrue statements, or an alleged omission as such expenses are incurred. The Selling Shareholder has also agreed under the Underwriting Agreement to indemnify and hold harmless the Underwriters under certain circumstances.

Other Relationships

Some of the Underwriters or their affiliates may, from time to time, engage in transactions or perform services for Powerland in the ordinary course of business.

Selling and Transfer Restrictions

General

The Offering consists of public Offerings in Germany and Luxembourg and private placements outside Germany, Luxembourg and the United States to institutional investors. The shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are only being offered outside the United States in reliance on Regulation S under the Securities Act. This Prospectus does not constitute an offer, solicitation or invitation to subscribe for shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, any jurisdiction, except for the filing and/or registration of this Prospectus in Germany and Luxembourg in order to permit a public offering of the shares and the public distribution of this Prospectus in Germany and Luxembourg. The distribution of this Prospectus and the offering of the shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by the Company and the Underwriters to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to the Company or the Underwriters. Persons to whom a copy of this Prospectus has been issued shall not circulate the same to any other person or reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

European Economic Area

Each of the Underwriters has represented and warranted, severally and not jointly, to the Company that with respect to each member state of the EEA that has implemented the Prospectus Directive (each a "**Relevant Member State**") the shares which are the subject of the Offering described in this Prospectus have not been and will not be publicly offered in such Relevant Member State other than in connection with a public Offering in Germany and Luxembourg once the Prospectus has been approved by the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht,* "**BaFin**"), published in compliance with the German Securities Prospectus Act and notified to the Luxembourg Commission for the Supervision of the Financial Sector. The Offer Shares may, however, be publicly offered at any time in each Relevant Member State pursuant to the following exceptions set forth in the Prospectus Directive, provided that these exceptions have been implemented in the Relevant Member State:

- offerings to legal entities which are authorised or regulated to operate in the financial markets or whose sole corporate purpose is to invest in securities;
- offerings to any legal entity, which in accordance with its last financial statements or consolidated financial statements, meet at least two of the following criteria: (i) an average of at least 250 employees in the last financial year, (ii) a balance sheet total exceeding EUR 43 million and (iii) an annual net turnover exceeding EUR 50 million;
- offerings to fewer than 100 natural or legal persons (other than qualified investors within the meaning of the Prospectus Directive) subject to obtaining the prior consent of the Sole Global Coordinator for any such offer; or
- in all other circumstances falling within Article 3(2) of the Prospectus Directive.

The foregoing exceptions apply only on the condition that such offer for the sale of shares does not require the publication of a prospectus by the Company or any Underwriter pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the term "public offering" of the shares offered in any Relevant Member State means a communication to the public in any form and by any means presenting sufficient information on the terms and conditions of the Offering and the shares to be offered so as to enable an investor to decide to purchase any shares. With respect to the interpretation of this definition, the measures taken to implement the Prospectus Directive in the Member State in which the Offer Shares are being offered shall prevail. "Prospectus Directive" means Directive 2003/71/EC including any relevant implementing measures in each Relevant Member State.

United Kingdom

In addition, each of the Underwriters has represented and warranted that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated invitations or inducements to engage in investment activities within the meaning of Article 21 of the Financial Services and Markets Act ("**FSMA**") in connection with the offer or sale of the Offer Shares under circumstances in which Article 21 of the FSMA does not apply to the Company and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to all of its activities in connection with the Offer Shares in, from or otherwise involving, the United Kingdom.

Hong Kong

The Underwriters (i) have not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any shares other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Chapter 32) of Hong Kong, and (ii) except as permitted under the securities laws of Hong Kong, have not issued, and will not issue, in Hong Kong any document, invitation or advertisement relating to the shares other than with respect to shares which are intended to be disposed of to persons outside Hong Kong or only to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent.

Japan

The shares have not been and will not be registered under the Securities and Exchange Law of Japan and may not be offered or sold, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to, or for the account or benefit of, any person for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Securities and Exchange Law of Japan and (ii) in compliance with any other relevant laws and regulations of Japan.

Singapore

This Prospectus has not been registered as a prospectus or information memorandum with the Monetary Authority of Singapore. Accordingly, no advertisement may be made with regard to the Offering or calling attention to an offer or intended offer of the shares to the public in Singapore. The Underwriters will not offer or sell shares, and will not make shares the subject of an invitation for subscription or purchase, and will not circulate or distribute this prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares, whether directly or indirectly, to the public or any member of the public in Singapore other than:

- to an institutional investor or other person specified in Section 274 of the Securities and Futures Act 2001 of Singapore;
- to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act; or
- otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

People's Republic of China

The Underwriters have not circulated and will not circulate or distribute this Prospectus in the PRC and the Underwriters have not offered or sold, and will not offer or sell to any person for re-offering or resale, directly or indirectly, any shares to any resident of the PRC except pursuant to applicable laws and regulations of the PRC. For the purposes of this paragraph, PRC does not include Hong Kong, Macau and Taiwan.

RECENT DEVELOPMENTS AND OUTLOOK

In the first two months of 2011, Powerland's revenues measured in RMB increased by 21% in comparison to the first two months of 2010. This increase resulted primarily from an increase in revenues generated in the Luxury Segment and, to a lesser intent, an increase in revenues generated in the Casual Segment. Powerland's gross profit and EBIT increased disproportionately higher than revenues during the first two months of 2011 in comparison to the first two months of 2010 primarily due to an increase in average ex-factory selling prices, a shift in product mix towards more expensive handbags and lower administrative cost as a percentage of revenues. The gross margin in the Luxury Segment in the first two months 2011 has been significantly higher than during the first two months of 2010. Also the Casual Segment experienced a double-digit sales growth measured in RMB in the first two months of 2011 compared to the same period in 2010. In addition, Powerland was able to realise a significantly higher gross margin in the Casual Segment than in the first two months of 2010 as well as in the whole year of 2010.

In February 2011, Powerland and Studio Francesco Turchi signed a contract with which they extended their collaboration until 30 June 2016. This strenghtens the long-term alliance with Studio Turchi and is an important factor for successfully establishing and maintaining Powerland's reputation as a luxury leather bag brand in the PRC.

In February 2011, Powerland opened its Brand and Marketing Center in Guangzhou which becomes the main operating hub of the luxury business and reiterated the importance Powerland places on strengthening its design capabilities as well as branding and marketing activities.

In 2011, Powerland will focus on the expansion of its network of Powerland Stores. To this end, the Company is progressing its plan to launch its self-operated stores with about 15 new self-operated stores mostly in the second half of 2011 and is in discussions on rental agreements as well as purchasing agreements on a number of targeted locations. In addition, Powerland is in the process of entering into a letter of intent with Capital Airports Holding Company, the parent company of Beijing Capital International Airport Company Limited, regarding the opening of Powerland Stores at twelve airports managed by Capital Airports Holding Company.

As part of its strategy to expand its Chinese retail distribution network by opening a number of self-operated stores at top locations, Powerland has entered into letters of intent with Dalian Wanda Group and Bailian Group, two large Chinese operators of shopping malls, to get preferred access to stores in shopping malls.

Since 31 December 2010, no material change of the financial condition and the trading and market position of Powerland has occurred.

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FINANCIAL SECTION

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POWERLAND INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Hong Kong, Special Administrative Region of the Peoples' Republic of China)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

POWERLAND AND INTERNATIONAL HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2010, 31 DECEMBER 2009 AND 31 DECEMBER 2008

		31.12.2010	31.12.2009	31.12.2008
ASSETS	**Note**	**kEUR**	**kEUR**	**kEUR**
Non-current assets				
Property, plant and equipment	7	20,358	4,684	5,045
Land use rights	8	4,375	2,384	2,490
Intangible assets	9	79	82	90
Total non-current assets		24,812	7,150	7,625
Current assets				
Inventories	10	7,518	4,784	11,362
Trade and other receivables	11	24,846	11,874	7,971
Current tax assets	18	6	–	–
Cash and cash equivalents	12	15,319	7,718	5,122
Total current assets		47,689	24,376	24,455
TOTAL ASSETS		72,501	31,526	32,080
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13	1	–	–
Reserves	14	27,204	17,515	16,003
TOTAL EQUITY		27,205	17,515	16,003
LIABILITIES				
Non-current liabilities				
Borrowings	15	3,729	–	14
Current liabilities				
Trade and other payables	17	22,476	5,636	7,909
Borrowings	15	18,137	7,435	7,572
Current tax liabilities	18	954	940	582
Total current liabilities		41,567	14,011	16,063
TOTAL LIABILITIES		45,296	14,011	16,077
TOTAL EQUITY AND LIABILITIES		72,501	31,526	32,080

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Note	1.1.2010 to 31.12.2010 kEUR	1.1.2009 to 31.12.2009 kEUR	1.1.2008 to 31.12.2008 kEUR
Revenue	20	112,635	82,176	54,701
Cost of sales	21	(67,865)	(46,763)	(30,818)
Gross profit		44,770	35,413	23,883
Other income	22	85	129	123
Selling and distribution costs	23	(11,234)	(9,294)	(6,550)
Administrative and other expenses	24	(6,603)	(5,046)	(4,114)
Net finance costs	25	(920)	(463)	(897)
Profit before tax		26,098	20,739	12,445
Tax expense	26	(3,481)	(2,722)	(1,632)
Net profit for the financial year		22,617	18,017	10,813
Other comprehensive income				
Exchange differences on translating foreign operations (net of tax)		2,302	(327)	1,280
Total comprehensive income		24,919	17,690	12,093
Profit for the year attributable to owner of the parent		22,617	18,017	10,813
Total comprehensive income attributable to owner of the parent		24,919	17,690	12,093

The comparability is affected by movements in the relative value of the functional currency (RMB) compared to the presentation currency (EUR).

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

			Non-distributable		Distributable	
	Note	Share capital kEUR	Consolidation reserve kEUR	Exchange translation reserve kEUR	Retained earnings kEUR	Total equity kEUR
1 January 2008		–	5,531	(40)	1,409	6,900
Additional capital contributed by the subsidiaries		–	939	–	–	939
Total comprehensive income		–	–	1,280	10,813	12,093
Dividends	27	–	–	–	(3,929)	(3,929)
Transfer to statutory surplus reserve		–	1,114	–	(1,114)	–
Transfer to other reserves		–	538	–	(538)	–
31 December 2008		–	8,122	1,240	6,641	16,003
Additional capital contributed by the subsidiaries		–	646	–	–	646
Total comprehensive income		–	–	(327)	18,017	17,690
Dividends	27	–	–	–	(16,824)	(16,824)
Transfer to statutory surplus reserve		–	38	–	(38)	–
Transfer to other reserves		–	902	–	(902)	–
31 December 2009		–	9,708	913	6,894	17,515
Additional capital contributed by the subsidiaries		–	1,465	–	–	1,465
Total comprehensive income		–	–	2,302	22,617	24,919
Dividends	27	–	–	–	(16,695)	(16,695)
Transfer to statutory surplus reserve		–	6	–	(6)	–
Transfer to other reserves		–	1,142	–	(1,142)	–
Paid-in capital		1	–	–	–	1
31 December 2010		1	12,321	3,215	11,668	27,205

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Note	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
		kEUR	kEUR	kEUR
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		26,098	20,739	12,445
Adjustments for:				
Depreciation of land use rights	8	69	65	61
Amortisation of intangible assets	9	12	11	10
Loss on disposal of property, plant and equipment		2	–	–
Depreciation of property, plant and equipment	7	327	308	270
Property, plant and equipment written off		–	1	–
Interest income	25	(26)	(2)	(2)
Interest expenses	25	822	450	568
Operating profit before working capital changes		27,304	21,572	13,352
(Increase)/Decrease in inventories		(2,102)	6,559	(7,117)
Increase in trade and other receivables		(11,233)	(4,155)	(1,836)
Increase/(Decrease) in trade and other payables		15,716	(2,196)	3,582
Cash generated from operations		29,685	21,780	7,981
Income taxes paid	18	(3,582)	(2,344)	(1,083)
Net cash flows from operating activities		26,103	19,436	6,898
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		26	2	2
Sales proceeds from disposal of property, plant and equipment		35	–	–
Purchase of intangible assets	9	–	(4)	–
Purchase of property, plant and equipment	7	(15,056)	(28)	(1,154)
Purchase of land use rights	8	(1,728)	–	–
Net cash used in investing activities		(16,723)	(30)	(1,152)
CASH FLOWS FROM FINANCING ACTIVITIES				
Additional capital contributed by the subsidiaries		1,465	646	939
Drawdown of borrowings		21,754	8,186	9,385
Repayments of borrowings		(8,589)	(8,205)	(8,793)
Dividends paid	27	(16,695)	(16,824)	(3,929)
Interest paid		(822)	(450)	(568)
Net cash used in financing activities		(2,887)	(16,647)	(2,966)
Net increase in cash and cash equivalents		6,493	2,759	2,780
Cash and cash equivalents at beginning of years		7,718	5,122	1,947
Exchange gain/(loss) on cash and cash equivalents		1,108	(163)	395
Cash and cash equivalents at end of years	12	15,319	7,718	5,122

Cash and cash equivalents represent cash and bank balances.

The accompanying notes form an integral part of the consolidated financial statements.

1. CORPORATE INFORMATION

The consolidated financial statements include the financial statements of the current holding company, Powerland International Holdings Limited (the "**Company**" or "**Powerland Hong Kong**") and its subsidiaries. The Company and its subsidiaries collectively referred to as the "Group". The consolidated financial statements for the financial year ended 31 December 2010 are the first set of financial statements that have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), having previously prepared its financial statements in accordance with China GAAP accounting standards.

Powerland International Holdings Limited ("**Company**")

Powerland Hong Kong is the parent company and was incorporated and domiciled in Hong Kong, Special Administrative Region of the Peoples' Republic of China ("Hong Kong") on 25 October 2010 as a limited liability company. The Company is wholly-owned by Mr. Guo Shun Yuan. Its authorised and issued share capital of HK$ 10,000 is divided into 10,000 ordinary shares of HK$ 1 each.

The Company holds all shares of Powerland Fujian Leather Luggage Co., Ltd. and Powerland Guangzhou Leather Luggage Co. Ltd., both are limited companies established under the laws of the Peoples' Republic of China ("the PRC").

Powerland Fujian Leather Luggage Co., Ltd. ("**PFL**")

PFL (福建保兰德箱包皮具有限公司) was incorporated and domiciled in the PRC on 21 August 2003 as a wholly foreign-owned limited liability company. The equity holder was Mr. Guo Shun Yuan. Pursuant to a share sale agreement entered into between the Company and Mr. Guo Shun Yuan on 6 December 2010, the Company undertook to acquire the entire registered capital of PFL of USD 6,000,000 with a purchase consideration of kEUR 17,107 (RMB 151,386,735.20). Mr. Guo Shun Yuan had agreed to waive his purchase price claims for the purpose to contribute these claims to the capital reserves of the Company and thus they are included in the consolidation reserves in the consolidated financial statements of the Group. Consequently, PFL has become the wholly-owned subsidiary of the Company.

The principal place of business of the PFL is located at HuShi Industrial Area, XiuYu District, PuTian City, Fujian Province, the PRC.

Powerland Guangzhou Leather Luggage Co., Ltd. ("**PGL**")

PGL (广州保兰德箱包皮具有限公司) was incorporated and domiciled in the PRC on 11 April 2005 as a wholly foreign-owned limited liability company. The equity holder was Mr. Guo Shun Yuan. Pursuant to a share sale agreement entered into between the Company and Mr. Guo Shun Yuan on 6 December 2010, the Company undertook to acquire the entire registered capital of PGL of USD 3,000,000 with a purchase consideration of kEUR 3,958 (RMB 34,687,898.72). Mr. Guo Shun Yuan had agreed to waive his purchase price claims for the purpose to contribute these claims to the capital reserves of the Company and thus they are included in the consolidation reserves in the consolidated financial statements of the Group. Consequently, PGL has become the wholly-owned subsidiary of the Company.

The principal place of business of the PGL is located at ShiLing Area, HuaDu District, Guangzhou City, Guangdong Province, the PRC.

The consolidated financial statements are presented in thousand of Euro ("kEUR"), unless otherwise stated. The functional currency is Chinese Renminbi ("RMB").

The consolidated financial statements were authorised for issue by the Board of Directors on 28 February 2011.

The English names of certain companies/parties referred to in the consolidated financial statements represent unofficial translation of their registered Chinese names by management and these English names have not been legally adopted by these entities.

All subsidiaries of the Company are consolidated. In summary:

Amounts in kEUR		Share directly	Equity	Results
		%	kEUR	kEUR
PFL	31 December 2010	100	24,215	22,673
	31 December 2009	100	14,793	17,732
	31 December 2008	100	14,153	10,539
PGL	31 December 2010	100	2,989	(56)
	31 December 2009	100	2,722	285
	31 December 2008	100	1,850	274

2. NATURE OF OPERATIONS

Powerland Hong Kong and its subsidiaries (hereinafter referred to as the "**Group**" or "**Powerland**") are principally engaged in the designing, manufacturing, and sale of luggage, bags and leather products. There have been no significant changes in the principal activities during the financial years under review.

The Group's products are sold in the PRC and overseas markets, under the Group's own brand name "Powerland" as well as under other third party brand names (i.e. Original Equipment Manufacturer ("**OEM**") mode).

During the financial year ended 31 December 2007, Powerland commenced to establish its distribution network within the PRC for the sale of genuine leather products via one of the subsidiary, PFL. Powerland's retail distribution network consists of outlets being operated by unaffiliated outlet owners who have been engaged by unaffiliated distributors that Powerland appointed. Powerland only has contractual relationships with the unaffiliated distributors based on standardised distribution agreements.

3. BASIS OF PREPARATION

The financial year of the Group is between 1 January and 31 December. For reasons of comparison, the Group presents financial statements for the preceding years 2009 and 2008, which have been derived as described under Section 4.1 Business combinations involving entities under common control.

The consolidated financial statements of the Group are not the legally required but have been prepared on a voluntary basis for the purpose of an intended initial public offering ("**IPO**"). In these consolidated financial statements, all intercompany transactions and balances have been eliminated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively referred to as "**IFRS**") issued by the International Accounting Standards Board ("**IASB**"), including the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union ("**EU IFRSs**").

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the financial years presented, unless otherwise stated.

The consolidated financial statements have been generally prepared under the historical cost convention except as otherwise stated in the consolidated financial statements.

The preparation of consolidated financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the consolidated financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates. Thus, the Directors of the Company are responsible for preparing the consolidated financial statements.

The operating subsidiaries in the PRC ("**Chinese subsidiaries**") maintain their accounting records in RMB and prepare their statutory financial statements in accordance with the PRC generally accepted accounting practice. The Group has not previously presented consolidated financial statements. The financial information is based on the statutory records, with adjustments and reclassifications recorded for the purpose of the fair presentation in accordance with EU IFRS.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries (the "**Group**") as if they formed a single entity. Intercompany transactions, balances, income, expenses, profits and losses resulting from inter-group transactions are therefore eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for similar transactions and events in similar circumstances.

Individual line items have been summarized in the consolidated statements of comprehensive income and the consolidated statements of financial position to aid clarity of presentation. These items are disclosed and explained separately in the notes.

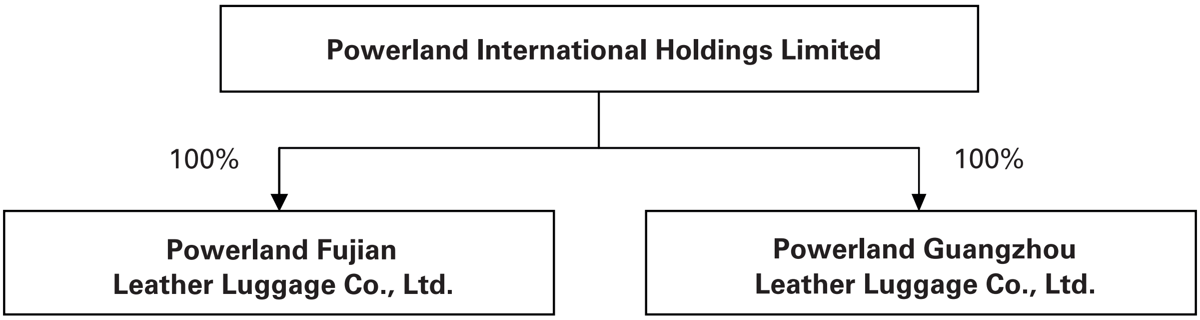
All items of income and expenses recognised during the period has been presented in a single statement of comprehensive income and the function of sales method has been used in classifying expenses in the consolidated statement of comprehensive income.

Dividends to be paid by the operating Chinese subsidiaries have to be approved generally by the PRC government bodies. In addition dividends are only payable if Chinese statutory reserves satisfy the relating legal requirements.

Cash transfer from mainland China generally depends on formal approval procedures by the PRC government bodies.

4.1.1 Business combinations involving entities under common control

The current Powerland Group was constituted in 2010 by a series of transactions to set up the group structure. This involved the establishment of the Company as holding company and the acquisition of two operating companies in the PRC.



During the restructuring transactions, each taking place in 2010, the ultimate controlling party of all entities involved has been Mr. Guo Shun Yuan. Therefore all share transfer agreements, by which the new group structure has been set up, involved the combination of entities under common control.

Under current IFRS standards, these transactions between entities under common control which qualify as a business combination are not subject to IFRS 3; the scope exclusion is expressed as "a combination of entities or businesses under common control". For the purpose of the exemption from IFRS 3, a business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination. The standard notes that an entity can be controlled by an individual, or by a group of individuals acting together under a contractual agreement, and that the individual or group of individuals may not be subject to the financial reporting requirements of IFRSs. Thus, a transaction involving entities controlled by the same individual – including one that results in a new parent entity – would be beyond the scope of IFRS 3, and there is no guidance elsewhere in IFRS which covers the accounting for such transactions.

The Group is regarded as continuing entity resulting from the reorganisation exercise since the management of all the above entities, which took part in the reorganisation exercise were controlled by the same management and under the common controlling party, i. e. Mr. Guo Shun Yuan before and immediately after the reorganisation exercise. Consequently, there was a continuation of the control over the entities' financial and operating policy decision and risk and benefits to the ultimate control party that existed prior to the reorganisation exercise. The reorganisation exercise has been accounted for as restructuring transactions under common control.

In the absence of an international standard or interpretation that specifically applies to a transaction, paragraph 10 to 12 of IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*" set out the approach to be followed. This requires, among other things, that where IFRS does not include guidance for a particular issue, Powerland's management should select an appropriate accounting policy. Under this circumstance, the predecessor accounting method in a manner similar to the pooling of interest method of accounting has been applied for the accounting of the combination of the shell company with the business of the two operating entities, PFL and PGL. The predecessor accounting method combines and presents the financial information of the Group as if Powerland Hong Kong, and the entities combined have always been part of the Group. Accordingly, the assets and liabilities transferred to Powerland Hong Kong have been recognised at historical cost.

For periods prior to the legal formation of the Company, the assets, liabilities, revenue and expenses of the operating companies ("the Predecessor Operations") as shown in their individual financial statements were combined or aggregated and consolidated in preparing the group financial statements. The accompanying combined and consolidated financial statements present the financial information of the Company and its subsidiaries as if the Group had been in existence as a single economic enterprise throughout the years presented and as if the Predecessor Operations were transferred to the Company as of 1 January 2008.

4.2 Foreign currencies

4.2.1 Functional currency

The directors have determined the currency of the primary economic environment in which the Group operates, to be Chinese Yuan or Renminbi ("RMB") as the functional currency of the Group. Sales and major costs arising from the provision of goods and services including major operating expenses are primarily influenced by fluctuations in RMB.

4.2.2 Foreign Currency Transactions

Transactions in foreign currencies are measured in the respective functional currencies of the consolidated entities and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values are determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the consolidated statements of comprehensive income as profit or loss except for exchange differences arising on monetary items that form part of the Group' net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated statements of financial position and recognised in the consolidated statements of comprehensive income on disposal of the subsidiary.

4.2.3 Presentation currency

The presentation currency of the Group is EUR for the purpose of the intended IPO in Germany, using a German holding company which has to be established in 2011. The consolidated financial statements have been translated from the functional currency, RMB to EUR at the following rates:

	Period end rates	**Average rates**
31 December 2010.	RMB 1.00 = EUR 0.1145	RMB 1.00 = EUR 0.1113
31 December 2009	RMB 1.00 = EUR 0.1023	RMB 1.00 = EUR 0.1051
31 December 2008	RMB 1.00 = EUR 0.1041	RMB 1.00 = EUR 0.0982

The results and financial position are translated into EUR using the following procedures:

Assets and liabilities for each statement of financial position are presented at the closing rate ruling at the reporting date. Income and expenses for consolidated statements of comprehensive income are translated at average exchange rates for the period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity.

On disposal of an operation with functional currency different to presentational currency the cumulative translation differences recognised in equity are classified to profit or loss and recognised as part of the gain or loss on disposal.

4.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

Buildings	20 to 39 years
Machinery and factory equipments	10 years
Office and other equipments	3 or 5 years
Motor vehicles	5 years

Construction-in-progress represents factory building under construction and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

At each reporting date, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.6 to the consolidated financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.4 Land use rights

Land use rights are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged so as to write off the cost of land use rights, using the straight line method, over the period of the grant range from 38 to 50 years, which is the lease term. The depreciation is included within the administrative and other expenses line in the consolidated statements of comprehensive income. Land use rights represent up-front payments to acquire long term interests in the usage of land.

4.5 Intangible assets

Intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met. Intangible assets are initially measured at cost.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the administrative and other expenses line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors; there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed each period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

Software

Software acquired has finite useful life and is shown at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using straight line method to allocate the cost of software over its estimated useful life of five (5) years.

Trademark

Trademark acquired has finite useful life and is shown at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using straight line method to allocate the cost of trademark over its estimated useful life of ten (10) years.

4.6 Impairment of non-financial assets

The carrying amount of non-financial assets except for inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not probable to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit (CGU) to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately. An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average formula. The cost of raw materials comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

4.8.1 Financial assets

The Group classifies its financial assets into one of the categories: fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, depending on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and either the Group has transferred substantially all risks and rewards of ownership or has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset. The derecognition takes place even when the Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement.

As at the reporting dates, except for loans and receivables, the Group does not have any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant range of changes in value.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e. g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less any provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative and other expenses in the consolidated income statements. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statements of comprehensive income.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statements of financial position.

4.8.2 Financial liabilities

The Group classifies its financial liabilities into one of two categories: fair value through profit or loss and other financial liabilities, depending on the purpose for which the liability was acquired.

All financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statements of comprehensive income.

As at the reporting dates, the Group's financial liabilities comprise trade and other payables and borrowings.

Trade payables and other short term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

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 income statements over the periods of the borrowings using the effective interest method.

4.8.3 Equity

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. Equity evidences a residual interest in the assets of the Group after deducting all of its liabilities.

4.8.4 Compound financial instruments

Compound financial instruments comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequently to initial recognition.

Interest and gains and losses related to the financial liability are recognised in the consolidated statements of comprehensive income. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

As at the reporting dates, the Group does not have any compound financial instruments.

4.8.5 Derivative financial instruments

Derivative financial instruments are used to hedge foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported consolidated statements of comprehensive income.

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in the consolidated statements of comprehensive income as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below:

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect consolidated statements of comprehensive income, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated statements of comprehensive income.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to consolidated statements of comprehensive income in the same period that the hedged item affects consolidated statements of comprehensive income. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in consolidated statements of comprehensive income.

Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognised immediately in the consolidated statements of comprehensive income.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in consolidated statements of comprehensive income.

As at the reporting dates, the Group does not have any derivative financial instruments.

4.9 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.10 Employee benefits

4.10.1 Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

4.10.2 Defined contribution plan

The Group makes contributions to statutory social security schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

4.11 Taxation

(a) Income taxes

Income taxes include all domestic taxes on taxable profit.

Taxes in the consolidated statements of comprehensive income comprise current tax and deferred tax.

(i) Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the consolidated statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax will be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

(b) Other taxes

The Group's sale of goods in the PRC are subjected to value-added tax ("VAT") at the applicable tax rate of 17% for the PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT together with other taxes, such as land use right tax, recoverable from, or payable to, the taxation authority is included as part of "current tax assets" or "current tax liabilities" in the consolidated statements of financial position respectively in line with the requirements in the PRC.

Revenue, expenses and assets are recognised net of the amount of VAT except where:

(i) VAT incurred on the purchases of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and

(ii) Receivables and payables are stated with the amount of VAT included.

Land use right tax and other taxes are not based on taxable profits and are recognised within the administrative and other expenses line in the consolidated statements of comprehensive income.

4.12 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the consolidated financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

4.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, which coincides with delivery of goods and services and acceptance by customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of service

Revenue from rendering service is recognised when the services are rendered and relative revenue can be measured reliably.

(c) Interest income

Interest income is recognised as it accrues on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable, using the effective interest method.

(d) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be complied with. When the grant relates to an expense item, it is recognised in the statement of comprehensive income as a profit over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to the statement of comprehensive income as a profit over the expected useful life of the relevant asset by equal annual installments.

Government grants which were recognised within the other income line in the consolidated statements of comprehensive income relate to government rewards and funds received by the Group from the local authorities in recognition of the Group's efforts in building PRC domestic brand name, as well as to encourage export sales and further development.

4.14 Research and development

Research and development expenditure including the design and production of prototypes of new samples are written off to the profit or loss in the financial period/year in which it is incurred.

4.15 Operating lease

Leases of assets under which a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged as an expense on a straight-line basis over the period of the respective leases.

When the Group has the use of assets under operating leases, payments made under the leases are recognised in the statement of comprehensive income as costs on a straight-line basis over the term of the lease.

4.16 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset to its intended use or sales are in process and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

4.17 Related parties

For the purpose of these consolidated financial statements, parties are considered to be related to the Group if a consolidated company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or when the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

4.18 Operating segments

Operating segments are defined as components of the Group that:

(a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) whose operating results are regularly reviewed by the Group's chief operating decision maker (i.e. the Group's Chief Executive Officer) in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the Group's revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:

(i) the Group's reported profit of all operating segments that did not report a loss; and

(ii) the Group's reported loss of all operating segments that reported a loss.

(c) Its assets are ten (10) per cent or more of the Group's assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the Group's revenue. Operating segments identified as reportable segments in the current financial period/year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

5. ADOPTION OF NEW IFRSs

5.1 New IFRSs adopted

(a) The Group has adopted all EU IFRSs that were effective on or before 1 January 2010 for the preparation of the consolidated financial statements for the financial years ended 31 December 2010, 2009 and 2008.

This adoption did not result in changes to the Group's accounting policies and did not materially affect the reported financial position, financial performance or cash flow of the Group for the financial years ended 31 December 2010, 2009 and 2008.

(b) Framework for the Preparation and Presentation of Financial Statements ("Framework")

The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It does not define standards for any particular measurement or disclosure issue.

5.2 New IFRSs and Interpretations not adopted

(a) Amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* is mandatory for annual periods beginning on or after 1 July 2010.

This amendment permits a first-time adopter of IFRSs to apply the exemption of not restating comparatives for the disclosures required in IFRS 7.

The Group does not expect any material impact on the consolidated financial statements arising from the adoption of this amendment.

(b) Amendment to IAS 24 *Related Party Disclosures – Revised definition of related parties* is mandatory for annual periods beginning on or after 1 January 2011.

This amendment simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

The Group does not expect any material impact on the consolidated financial statements arising from the adoption of this amendment.

(c) IFRS 9 *Financial Instruments – Classification and Measurement* is mandatory for annual periods beginning on or after 1 January 2013.

The Standard specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

Debt instruments are measured at amortised cost only if: (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss (FVTPL). Additionally, even if the asset meets the amortised cost criteria, the Company may choose at initial recognition to designate the financial assets at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Only financial assets that are classified as measured at amortised cost are test for impairment.

All derivatives, including embedded derivatives that are embedded in financial liabilities or host contracts outside the scope of IAS 39 that are separately accounted for, are to be measured at FVTPL, except if designated in an effective cash flow hedge or hedge of a foreign operation hedge accounting relationship. In accordance with IFRS 9, embedded derivatives within the scope of the Standard are not separately accounted for financial assets.

Investments in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income recognised in accordance with IAS 18 *Revenue,* are recognised in other comprehensive income and not subsequently reclassified to profit or loss.

Presently, the Group does not expect any material impact on the consolidated financial statements arising from the adoption of this Standard.

(d) *Improvements to IFRSs (2010)* are mandatory for annual periods beginning on or after 1 January 2011 except for Amendment to IFRS 3(2008) and Amendment to IAS 27(2008) which are effective for annual periods beginning on or after 1 July 2010.

(i) Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

These amendments clarify that if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34 *Interim Financial Reporting* but before its first IFRS financial statements are issued, it should explain those changes and update the reconciliations between previous GAAP and IFRSs. The requirements in IAS 8 do not apply to such changes.

These amendments also clarify that a first-time adopter is permitted to use an event-driven fair value as 'deemed cost' at the measurement date for measurement events that occurred after the date of transition to IFRSs but during the period covered by the first IFRS financial statements. Any resulting adjustment shall be recognised directly in equity at the measurement date.

These amendments also specify that a first-time adopter may elect to use the previous GAAP carrying amount of items of property, plant and equipment or intangibles that are, or were, used in operations subject to rate regulations. This election is available on an item by item basis.

The Group does not expect any material impact on the consolidated financial statements arising from the adoption of these amendments.

(ii) Amendments to IFRS 3 *Business Combinations (2008)*

These amendments specify that the option to measure non-controlling interests either at fair value or at the proportionate share of the acquiree's net identifiable assets at the acquisition date under IFRS 3(2008) applies only to non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interests should be measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

These amendments also specify that the current requirement to measure awards of the acquirer that replace acquiree share-based payment transactions in accordance with IFRS 2 at the acquisition date ('market-based measure') applies also to share-based payment transactions of the acquiree that are not replaced. These amendments further specify that the current requirement to allocate the market-based measure of replacement awards between the consideration transferred for the business combination and post-combination remuneration applies to all replacement awards regardless of whether the acquirer is obliged to replace the awards or does so voluntarily.

These amendments also clarify that IAS 32 *Financial Instruments: Presentation,* IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* do not apply to contingent consideration that arose from business combinations whose acquisition dates preceded the application of IFRS 3(2008).

This amendment is not relevant to the Group's operations.

(iii) Amendment to IFRS 7 *Financial Instruments: Disclosures*

This amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. This amendment further clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. The Group does not expect any material impact on the consolidated financial statements arising from the adoption of this amendment.

(iv) Amendment to IAS 1 *Presentation of Financial Statements*

This amendment clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements. The Group does not expect any material impact on the consolidated financial statements arising from the adoption of this amendment.

(v) Amendment to IAS 27 *Consolidated and Separate Financial Statements (2008)*

This amendment clarifies that amendments made to IAS 21 *The Effects of Changes in Foreign Rates,* IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures* as a result of IAS 27(2008) should be applied prospectively (with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31, which should be applied retrospectively). This amendment is not relevant to the Group's operations.

(vi) Amendment to IAS 34 *Interim Financial Reporting*

This amendment emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report. This amendment further clarifies how to apply this principle in respect of financial instruments and their fair values. This amendment is not relevant to the Group's operations.

(vii) Amendment to IFRIC 13 *Customer Loyalty Programmes*

This amendment clarifies that the 'fair value' award credits should take into account: (i) the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and (ii) any expected forfeitures. This amendment is not relevant to the Group's operations.

(e) Amendment to IAS 32 *Financial Instruments: Presentation (October 2009)* is mandatory for annual periods beginning on or after 1 February 2010.

This amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

The Group does not expect any material impact on the consolidated financial statements arising from the adoption of this amendment.

(f) IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* is mandatory for annual periods beginning on or after 1 July 2010.

A borrower may enter into an agreement with a lender to issue equity instruments to the lender in order to extinguish a financial liability owed to the lender.

The issue of equity instruments to extinguish all or part of a financial liability constitutes consideration paid. An entity shall measure the equity instruments issued as extinguishment of the financial liability at their fair value on the date of extinguishment of the liability, unless that fair value is not reliably measurable. (In this case the equity instruments should be measured to reflect the fair value of the liability extinguished.)

Any difference between the carrying amount of the liability (or the part of the liability) extinguished and the fair value of equity instruments issued is recognised in profit or loss. When consideration is partly allocated to the portion of a liability which remains outstanding, the part allocated to this portion forms part of the assessment as to whether there has been an extinguishment or a modification of that portion of the liability.

This Interpretation is not relevant to the Group's operations.

(g) Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* are mandatory for annual periods beginning on or after 1 January 2011.

These amendments address the situations when an entity with minimum funding requirements makes a prepayment of contributions to cover those requirements. The amendments permit the benefit of such prepayment to be recognised as an asset. This amendment is not relevant to the Group's operations.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Critical judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Group's accounting policies that have significant effect on the amount recognised in these consolidated financial statements.

6.2 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment

The management determines the impairment loss if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of the assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs.

(b) Depreciation and amortisation

The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation charge for the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes, which are consistent with the common life expectancies applied in the PRC. The depreciation and amortisation charge for future periods are adjusted if there are significant changes from previous estimates.

(c) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy impairment of receivables. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

(d) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year (continued).

(e) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk.

(f) Income tax

The Group's subsidiaries are subject to the PRC income tax and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the Group believes that its subsidiaries' tax return positions are supportable, the Group believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

7. PROPERTY, PLANT AND EQUIPMENT

Carrying amount	Buildings kEUR	Machinery and factory equipments kEUR	Office and other equipments kEUR	Motor vehicles kEUR	Construc-tion-in-progress kEUR	Total kEUR
At 1 January 2008	2,848	191	54	117	466	3,676
Additions	–	143	6	–	1,005	1,154
Depreciation charge for the year	(200)	(32)	(14)	(24)	–	(270)
Transfer from construction-in-progress	1,496	–	–	–	(1,496)	–
Translation adjustments	412	30	6	12	25	485
At 31 December 2008 and 1 January 2009	4,556	332	52	105	–	5,045
Additions	–	–	10	18	–	28
Depreciation charge for the year	(226)	(38)	(15)	(29)	–	(308)
Write off	–	–	(1)	–	–	(1)
Translation adjustments	(73)	(5)	(1)	(1)	–	(80)
At 31 December 2009 and 1 January 2010	4,257	289	45	93	–	4,684
Additions	–	10	52	28	14,966	15,056
Depreciation charge for the year	(240)	(37)	(21)	(29)	–	(327)
Disposals	–	(31)	–	(6)	–	(37)
Translation adjustments	501	33	6	11	431	982
At 31 December 2010	4,518	264	82	97	15,397	20,358

	Buildings kEUR	Machinery and factory equipments kEUR	Office and other equipments kEUR	Motor vehicles kEUR	Construc-tion-in-progress kEUR	Total kEUR
At 31 December 2008						
Cost	4,979	417	82	143	–	5,621
Accumulated depreciation	(423)	(85)	(30)	(38)	–	(576)
Carrying amount	4,556	332	52	105	–	5,045
At 31 December 2009						
Cost	4,893	410	82	158	–	5,543
Accumulated depreciation	(636)	(121)	(37)	(65)	–	(859)
Carrying amount	4,257	289	45	93	–	4,684
At 31 December 2010						
Cost	5,476	419	145	184	15,397	21,621
Accumulated depreciation	(958)	(155)	(63)	(87)	–	(1,263)
Carrying amount	4,518	264	82	97	15,397	20,358

(a) During the financial years, the Group made cash payments to purchase property, plant and equipment which are equal to the additions shown in the presentation of property, plant and equipment movements (page 34).

(b) As at the reporting dates, the net carrying amount of Group's property, plant and equipment under hire purchase are as follows:

	31.12.2010 kEUR	31.12.2009 kEUR	31.12.2008 kEUR
Motor vehicles	–	57	74

Details of the terms and conditions of the hire purchase arrangements are disclosed in Notes 16 to the consolidated financial statements respectively.

(c) As at 31 December 2010, the buildings and construction-in-progress with carrying amount of kEUR 4,518 (31 December 2009: kEUR 4,257; 31 December 2008: kEUR 4,556) and kEUR 15,397 respectively have been charged to a bank for credit facilities granted to the Group (Note 15(a)).

(d) During the financial year ended 31 December 2010, the Group had concluded three real estate pre-sale contracts (included in construction-in-progress and land use rights of kEUR 14,966 and kEUR 1,728 respectively) with two developers. Pre-sale under PRC laws means sale of real estates before the construction work of such real estate is finally completed and the real estate ownership certificate of such real estate is issued. No Land Use Rights and Real Estate Ownership Certificate can be issued at the time of pre-sale. In this regard, there is a risk that the Group might not able to obtain the Land Use Rights and Real Estate Ownership Certificate in the end. In such case, the developer shall assume the liabilities for breaching the pre-sale contract.

8. LAND USE RIGHTS

	31.12.2010	31.12.2009	31.12.2008
Carrying amount	**kEUR**	**kEUR**	**kEUR**
At 1 January	2,384	2,490	2,286
Additions	1,728	–	–
Depreciation charge for the years	(69)	(65)	(61)
Translation adjustments	332	(41)	265
At 31 December	4,375	2,384	2,490
Cost	4,813	2,712	2,759
Accumulated depreciation	(438)	(328)	(269)
Carrying amount	4,375	2,384	2,490

(a) The land use rights represent prepaid lease payments for land situated in the PRC. The Group are granted land use rights for a period ranged from 38 to 50 years.

(b) As at 31 December 2010, land use rights with carrying amount of kEUR 4,375 have been pledged to a bank for credit facilities granted to the Group (31 December 2009: kEUR 1,605; 31 December 2008: kEUR 1,681 (Note 15(a)).

(c) During the financial year ended 31 December 2010, the Group had acquired new land use rights with carrying amount of kEUR 1,728. However, there is a risk that the Group might not able to obtain the Land Use Rights and Real Estate Ownership Certificate in the end (Note 7(d)).

9. INTANGIBLE ASSETS

	As at 1.1.2010	Additions	Amortisation charge for the year	Translation adjustments	As at 31.12.2010
Carrying amount	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Trademark	78	–	(11)	9	76
Software	4	–	(1)	–	3
	82	–	(12)	9	79

	Cost	Accumulated amortisation	Carrying amount
At 31 December 2010	**kEUR**	**kEUR**	**kEUR**
Trademark	118	(42)	76
Software	4	(1)	3
	122	(43)	79

Carrying amount	As at 1.1.2009 kEUR	Additions kEUR	Amortisation charge for the year kEUR	Translation adjustments kEUR	As at 31.12.2009 kEUR
Trademark	90	–	(11)	(1)	78
Software	–	4	–	–	4
	90	4	(11)	(1)	82

At 31 December 2009	Cost kEUR	Accumulated amortisation kEUR	Carrying amount kEUR
Trademark	105	(27)	78
Software	4	–	4
	109	(27)	82

Carrying amount	As at 1.1.2008 kEUR	Additions kEUR	Amortisation charge for the year kEUR	Translation adjustments kEUR	As at 31.12.2008 kEUR
Trademark	90	–	(10)	10	90

At 31 December 2008	Cost kEUR	Accumulated amortisation kEUR	Carrying amount kEUR
Trademark	107	(17)	90

(a) Trademark is amortised on a straight line basis over a period of ten (10) years.

(b) Software is amortised on a straight line basis over a period of five (5) years.

10. INVENTORIES

At cost	31.12.2010 kEUR	31.12.2009 kEUR	31.12.2008 kEUR
Raw materials	4,806	2,382	2,144
Work in progress	1,680	–	–
Finished goods	1,032	2,402	9,218
	7,518	4,784	11,362

11. TRADE AND OTHER RECEIVABLES

	31.12.2010	31.12.2009	31.12.2008
	kEUR	kEUR	kEUR
Trade receivables	19,705	9,304	6,976
Receivables from related parties – non trade	1	1,030	54
Other receivables	412	716	364
Total financial assets other than cash and cash equivalents classified as loans and receivables	20,118	11,050	7,394
Value-added tax recoverable	349	130	154
Advance payments to suppliers	4,045	670	393
Prepayments	47	24	30
Deferred IPO costs	287	–	–
Total trade and other receivables	24,846	11,874	7,971

(a) The fair values of financial assets other than cash and cash equivalents classified as loans and receivables approximate their carrying amounts due to the relatively short term maturity of the financial instruments.

(b) Trade receivables are non-interest bearing and the normal trade credit term granted by the Group is ninety (90) days.

(c) As at 31 December 2008, kEUR 312 of trade receivables had been sold to a bank for debt factoring with full recourse and therefore the Group continues to recognise the debts sold within trade receivables until the repay or default of the receivables. The proceeds from transferring the debts are included in other financial liabilities until the debts are fully settled by the Group to the bank.

(d) Receivables from related parties represent non-trade advances to Directors of the Group, which are interest-free, unsecured and repayable on demand in cash and cash equivalents.

(e) As at 31 December 2009, included in other receivables are non-trade advances granted to an employee and a third party of kEUR 153 (2008: kEUR 52) and kEUR 562 (2008: kEUR 312) respectively, which are unsecured, interest-free and repayable on demand in cash and cash equivalents. These balances have been fully settled by the employee and the third party in year 2010.

(f) Advance payments to suppliers refer to prepayments for future supplies of raw materials.

(g) The deferred IPO costs will be deducted from new equity gained from the intended issue of new shares as part of Powerland's expected IPO in Germany in 2011.

(h) The ageing analysis of trade receivables which were neither past due nor impaired is as follows:

	31.12.2010	31.12.2009	31.12.2008
	kEUR	kEUR	kEUR
Within 30 days	10,675	8,680	5,776
31 – 60 days	9,030	488	1,197
61 – 90 days	–	136	–
More than 90 days	–	–	3
	19,705	9,304	6,976

As at 31 December 2008, trade receivable of kEUR 3 were past due which aged more than 90 days but not impaired. It relates to customer with no default history.

(i) The currency exposure profile of receivables are as follows:

	31.12.2010	31.12.2009	31.12.2008
	kEUR	kEUR	kEUR
Renminbi	23,592	9,953	6,432
United States Dollar	1,010	1,921	1,539
Euro	243	–	–
Hong Kong Dollar	1	–	–
	24,846	11,874	7,971

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	31.12.2010	31.12.2009	31.12.2008
	kEUR	kEUR	kEUR
Cash and bank balances	15,31	7,71	5,122

(a) Information on financial risk of cash and cash equivalents are disclosed in Note 32 to the consolidated financial statements.

(b) The currency exposure profile of cash and cash equivalents are as follows:

(c)	31.12.2010	31.12.2009	31.12.2008
	kEUR	kEUR	kEUR
Renminbi	15,057	7,673	5,005
United States Dollar	260	45	117
Hong Kong Dollar	2	–	–
	15,319	7,718	5,122

13. SHARE CAPITAL

The Company was incorporated on 25 October 2010 with the authorised and issued share capital of HK$ 10,000, which is divided into 10,000 ordinary shares of HK$ 1 each, which is equivalent to kEUR 1.

Reference is made to Note 1 for further information.

14. RESERVES

Reserves	Description and purpose
Retained earnings	Cumulative net gains and losses recognised in the consolidated statements of comprehensive income.
Foreign currency translation reserve	Exchange translation reserve represents the foreign currency translation difference arising from the translation of the financial statements from RMB to EUR.
Consolidation reserve	The consolidation reserve arises from the share capitals of both subsidiaries and its non-distributable reserves. In accordance to the acquisition of these both companies, the purchase consideration was contributed to the consolidation reserve. Due to the waiver of liabilities by Mr. Guo Shun Yuan, the cost of merger amounted to nil.

15. BORROWINGS

	Note	31.12.2010 kEUR	31.12.2009 kEUR	31.12.2008 kEUR
Non-current liabilities				
Hire purchase creditors	16	–	–	14
Long term bank loans – secured	15(a)	3,729	–	–
		3,729	–	14
Current liabilities				
Short term bank loans – secured	15(a)	7,380	4,383	4,461
Short term bank loans – u nsecured	15(b)	10,757	3,038	2,779
Domestic recourse factoring	15(c)	–	–	312
Hire purchase creditors	16	–	14	20
		18,137	7,435	7,572
Total borrowings				
Hire purchase creditors	16	–	14	34
Short term loans		18,137	7,421	7,240
Long term loans		3,729	–	–
Domestic recourse factoring		–	–	312
		21,866	7,435	7,586

(a) Details of the securities of the secured long term and short term bank loans are as follows:

	Note	31.12.2010 kEUR	31.12.2009 kEUR	31.12.2008 kEUR
Secured by:				
– Land use rights	8	4,375	1,605	1,681
– Buildings	7	4,518	4,257	4,556
– Construction-in-progress	**7**	15,397	–	–
		24,290	5,862	6,237

As at 31 December 2010, secured long term and short term bank loans of kEUR 3,729 and kEUR 7,380 (31 December 2009: kEUR 4,383; 31 December 2008: kEUR 2,655) respectively are guaranteed by the Director of the Group.

(b) Details of the unsecured short term bank loans with guarantees are as follows:

	31.12.2010 kEUR	31.12.2009 kEUR	31.12.2008 kEUR
Personally guaranteed by:			
– Third party corporation	–	–	541
Jointly guaranteed by:			
– Director and third party corporations	9,498	1,913	1,093
– Director and related party corporation	1,259	1,125	1,145
	10,757	3,038	2,779

(c) Domestic recourse factoring is personally guaranteed by a third party corporation.

(d) Information on financial risks of borrowings is disclosed in Note 31 to the consolidated financial statements.

(e) All borrowings are denominated in RMB.

16. HIRE PURCHASE CREDITORS

	31.12.2010	31.12.2009	31.12.2008
	kEUR	kEUR	kEUR
Minimum hire purchase payments:			
– not later than one (1) year	–	14	22
– later than one (1) year but not later than five (5) years	–	–	14
Total minimum hire purchase payments	–	14	36
Less: Future interest charges	–	–	(2)
Present value of hire purchase payments	–	14	34
Repayable as follows:			
Current liabilities:			
– not later than one (1) year	–	14	20
Non-current liabilities:			
– later than one (1) year but not later than five (5) years	–	–	14
	–	14	34

Information on financial risks of hire purchase creditors is disclosed in Note 31 to the consolidated financial statements.

17. TRADE AND OTHER PAYABLES

	31.12.2010	31.12.2009	31.12.2008
	kEUR	kEUR	kEUR
Trade payables	15,403	3,245	5,156
Advances from related parties	–	85	156
Other payables	5,033	164	305
Accruals	439	249	303
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	20,875	3,743	5,920
Advance payments from customers	43	94	839
Value-added tax payable	59	767	437
Other accruals – tax surcharges, social security contributions and trade union fees	1,499	1,032	713
Total trade and other payables	22,476	5,636	7,909

(a) The fair values of trade and other payables classified as financial liabilities measured at amortised cost approximate their carrying amounts due to the relatively short term maturity of the financial instruments.

(b) Trade payables are non-interest bearing and the normal credit terms granted to the Group are ninety (90) days.

(c) Advances from related parties represent non-trade advances granted to the Group by the Directors, which are interest-free, unsecured and payable on demand in cash and cash equivalents.

(d) Advance payments from customers refer to prepayments for future deliveries of bag products.

(e) Social security contributions include accruals made based on the Group's estimates for past unpaid contributions. According to PRC law, in particular, Chinese regulations for social insurance and housing fund, the Group is required to make contributions for the social insurance and for the housing funds to its employees. The Group has in the past not paid the full amount which should have been paid in respect of these contributions. Mr. Guo Shun Yuan, the owner of the Group has undertaken an agreement with the Group according to which he would reimburse the

Group for any additional losses incurred for such additional social insurance and housing funds payments.

(f) Tax surcharge relates to accruals of withholding tax liabilities in relation to payments of spokesperson fees and designing fees, which should be subject to sales tax of 5%, which were estimated by the Group at approximately kEUR 59 and kEUR 176 for the financial years ended 31 December 2008 and 2009 respectively. These amounts have subsequently fully paid by the Group in year 2010.

(g) Information on financial risks of trade and other payables are disclosed in Note 31 to the consolidated financial statements.

(h) All trade and other payables are denominated in RMB.

18. CURRENT TAX LIABILITIES/(ASSETS)

	31.12.2010	31.12.2009	31.12.2008
	kEUR	kEUR	kEUR
Balance at beginning of the years	940	582	–
Current year provision (Note 26)	3,479	2,722	1,632
Under provision in prior year (Note 26)	2	–	–
Income tax paid	(3,582)	(2,344)	(1,083)
Translation adjustments	109	(20)	33
Balance at end of the years	948	940	582
Presented after appropriate offsetting:			
Current tax assets	(6)	–	–
Current tax liabilities	954	940	582
	948	940	582

19. CAPITAL COMMITMENT

	31.12.2010	31.12.2009	31.12.2008
Property, plant and equipment	kEUR	kEUR	kEUR
Contracted but not provided for	1,002	–	–

Capital commitment represents renovation cost to be incurred for the renovation of construction-in-progress with the carrying amount of kEUR 7,104. The contract was signed with a developer on 4 November 2010.

20. REVENUE

Revenue represents sale of luggage, bags and leather products. The following table provides a breakdown of revenues for the financial years:

	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
	kEUR	kEUR	kEUR
Revenue from sales of:			
– Luxury segment products	52,847	26,336	3,429
– Casual segment products			
– Fabric products	51,185	48,724	44,054
– Synthetic leather	8,603	7,116	7,218
	112,635	82,176	54,701

21. COST OF SALES

Cost of sales comprise of raw materials consumed for production, direct labour costs for personnel employed in the production, production overheads incurred for the production, direct purchase costs of finished goods and movements in inventories of finished goods and work in progress.

The following table provides a breakdown of cost of sales for the financial years:

	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
	kEUR	kEUR	kEUR
Materials consumed	55,563	21,595	26,148
Direct labour costs	3,461	2,577	2,790
Production overheads	2,903	3,353	2,171
Direct purchase costs of finished goods	–	11,258	5,647
Cost of contract manufacturing	5,670	786	738
Movements in inventories – finished goods and work in progress..	(23)	6,828	(7,443)
Value-added tax	291	366	767
Cost of sales for the financial years	67,865	46,763	30,818

22. OTHER INCOME

Other income comprise of government rewards and incentives received and others. The following table provides a breakdown of other income for the financial years:

	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
	kEUR	kEUR	kEUR
Government rewards and incentives	85	127	115
Others	–	2	8
Other income for the financial years	85	129	123

23. SELLING AND DISTRIBUTION COSTS

Selling and distribution costs comprise marketing and advertising costs, sponsorship granted to distributors in relation to renovation of retail outlets, transportation costs for product delivery, staff costs for employees engaged in the sales and marketing department, depreciation charges and other miscellaneous expenses in connection to sales activities.

The following table provides a breakdown of selling and distribution costs for the financial years:

	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
	kEUR	kEUR	kEUR
Marketing and advertising costs	8,615	7,529	5,114
Sponsorship fees	1,115	680	663
Transportation fees	1,246	982	665
Staff costs	184	61	50
Others	74	42	58
Selling and distribution costs for the financial years	11,234	9,294	6,550

24. ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses comprise, among others, staff costs for management and other employees with administrative functions, depreciation and amortisation charges, research and development expenses including external and internal design costs, utilities costs, travel expenses, entertainment expenses and other miscellaneous office expenses incurred for administrative purposes, fines and donations, and other taxes and tax surcharges.

25. NET FINANCE COSTS

Recognised in profit or loss

	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
	kEUR	kEUR	kEUR
Finance income			
Interest income on bank balances	26	2	2
Total finance income	26	2	2
Finance costs			
Interest expense on:			
– Domestic recourse factoring	–	13	6
– Hire purchase	–	2	3
– Short term loans	808	435	559
– Long term loans	14	–	–
Net foreign exchange loss	124	15	331
Total finance costs	946	465	899
Net finance expense recognised in profit or loss	920	463	897

26. TAX EXPENSE

	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
	kEUR	kEUR	kEUR
Tax expense based on profit for the financial years (Note 18)			
– current year	3,479	2,722	1,632
– under provision in prior year	2	–	–
	3,481	2,722	1,632

Tax expense for respective taxation authorities are calculated at the rates prevailing in these jurisdictions. During the financial years ended 31 December 2010, 31 December 2009 and 31 December 2008, the applicable enterprise tax rate for the respective consolidated entities is as follows:

(i) Powerland Hong Kong 16.5%

(ii) PFL and PGL 25.0%

However, being foreign-invested entities, PFL and PGL were granted tax exemption for two (2) financial years and tax rebate of 50% for subsequent three (3) financial years. Details of the tax incentive periods are as follows:

Applicable enterprise tax rates	Tax exemption years (0%)	Tax rebate years (12.5%)
PFL	2006 – 2007	2008 – 2010
PGL	2007 – 2008	2009 – 2011

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group are as follows:

	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
	kEUR	kEUR	kEUR
Tax at the domestic tax rates applicable to profits in the countries concerned	6,525	5,184	3,111
Tax effects in respect of:			
Non-allowable expenses	433	260	254
Tax incentives	(3,479)	(2,722)	(1,733)
Under provision in prior year	2	–	–
	3,481	2,722	1,632

27. DIVIDENDS

Dividends were paid to the shareholder by PFL in 2010 in the amount of kEUR 16,695 (2009: kEUR 16,824; 2008: kEUR 3,929).

28. EMPLOYEE BENEFITS

	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
	kEUR	kEUR	kEUR
Wages and salaries	4,611	3,204	3,296
Social security contributions	642	536	523
Other short term benefits	122	112	179
	5,375	3,852	3,998

Included in the employee benefits of the Group are Director's remuneration as follows:

	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
	kEUR	kEUR	kEUR
Salaries and allowances	15	14	12

The analysis of the employee numbers of the Group as at the reporting dates are as follows:

	31.12.2010	31.12.2009	31.12.2008
Management and administration	84	58	54
Sales, marketing and procurement	62	28	24
Design, production and quality assurance	929	831	877
	1,075	917	955

Retirement Benefit Plans

The eligible employees of the Group – who are citizens of the PRC are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The cost of retirement benefit contributions charged to the consolidated statements of comprehensive income in the years 2008, 2009 and 2010 amounted to kEUR 193, kEUR 196 and kEUR 242 respectively.

29. OPERATING SEGMENTS

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 the Chief Executive Officer/Director of the Group that makes strategic decisions.

In identifying the operating segments, the Chief Executive Officer generally follows the Group's product categories. These segments also represent reportable segments under IFRS 8.

The operating segments are not yet managed separately as the Group has grown significantly only since 2008 and the other resources used in the segments do not differ significantly. Hence revenue and costs are allocated to segments only up to gross profit. Due to the strategic goals of the Group, the intended further growth of the Group and its ongoing organizational development, a change in the segmental structure may become indispensable in the future.

During the period under review, there were no inter-segment transfers.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

Management currently identifies the Group's two product categories as operating segments. These operating segments are monitored and strategic decisions are made on the basis of segmental gross margins.

	Luxury	Casual segment	Total
	kEUR	kEUR	kEUR
Year ended 31 December 2010			
Revenue	52,847	59,788	112,635
Cost of sales	(29,311)	(38,554)	(67,865)
Gross profit	23,536	21,234	44,770
Reportable segment assets	13,920	38,042	51,962
Intangible assets			79
Other receivables			5,141
Cash and bank balances			15,319
Total group assets			72,501
Year ended 31 December 2009			
Revenue	26,336	55,840	82,176
Cost of sales	(14,005)	(32,758)	(46,763)
Gross profit	12,331	23,082	35,413
Reportable segment assets	2,455	18,701	21,156
Intangible assets			82
Other receivables			2,570
Cash and bank balances			7,718
Total group assets			31,526
Year ended 31 December 2008			
Revenue	3,429	51,272	54,701
Cost of sales	(1,822)	(28,996)	(30,818)
Gross profit	1,607	22,276	23,883
Reportable segment assets	3,325	22,548	25,873
Intangible assets			90
Other receivables			995
Cash and bank balances			5,122
Total group assets			32,080

The Group's revenues from external customers are divided into the following geographical areas:

	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
	kEUR	kEUR	kEUR
Geographical analysis of revenue			
Domestic	98,091	69,432	41,628
Overseas (export directly)	14,544	12,744	13,073
	112,635	82,176	54,701

Revenues from external customers in the Group's economic domicile, the PRC, have been identified on the basis of the internal reporting system, which is also used for VAT purpose. "Domestic" refers to sales to customers located in the PRC. "Overseas (export directly) refers to sales to customers located outside the PRC, i. e. South Africa, United States, United Arab Emirates and etc..

Non-current assets, other than financial instruments, of the Group are all situated in the PRC.

During the financial year ended 31 December 2008, there were three (3) major customers with whom the transactions represent more than ten (10) per cent of the Group's revenue. During the financial years ended 2009 and 2010 respectively, there were two (2) major customers (who were also major customers in 2008) with whom the transactions represent more than 10 per cent of the Group's revenue. These major customers have contributed a total sum of kEUR 16,783, kEUR 22,615 and kEUR 26,725 to the casual segment during the financial years ended 31 December 2008, 2009 and 2010 respectively.

Figures presented for the Group's reportable segment equal to the Group's financial figures as presented in the consolidated financial statements. Hence, no reconciliation is being prepared.

30. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The relationship and identity between the Company and its related parties are as follows:

Identities of related parties	Relationship with the Group
Guo Shun Yuan	Director and ultimate controlling party
Guo Shun Fa	Brother of Mr. Guo Shun Yuan
Putian City Powerland Trading Co., Ltd. ("Powerland Trading")	Company in which immediate family of the Director of the Company has financial interests
Powerland (Australia) International Trading Co., Ltd.	Company in which immediate family of the Director of the Company has financial interests

(b) In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
	kEUR	kEUR	kEUR
Short term borrowings granted by bank from:			
Joint guarantee by a Director and third parties	9,498	1,927	1,112
Joint guarantee by a Director and related party	2,619	1,125	1,145
Personal guarantee by a Director	6,020	4,383	2,655
Long term borrowings granted by bank from:			
Joint guarantee by a Director and third parties	–	–	14
Personal guarantee by a Director	2,226	–	–
Joint guarantee by a Director and a subsidiary	1,503	–	–
Related party – sale of products	366	548	1,363

(c) Compensation of key management personnel

The remuneration of Directors and other key management personnel during the financial years was as follows:

	1.1.2010 to 31.12.2010	1.1.2009 to 31.12.2009	1.1.2008 to 31.12.2008
	kEUR	kEUR	kEUR
Short term employee benefits	68	41	35
Contributions to defined contribution plans	3	2	2
	71	43	37

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the consolidated financial statements.

To date, the Group does not have a comprehensive risk management system in operation. Due to the rapid growth the Group has experienced in recent years, it is aware of the need to implement such a system.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, credit risk, liquidity risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

31.1 Market risk

(i) Foreign currency sensitivity

Most of the Group's transactions are carried out in RMB. Exposures to currency exchange rates arise from the Group's overseas sales, which are primarily denominated in US dollars (USD). The Group also holds cash balances denominated in US dollars. During the course of the period, the average balances held was immaterial and was not hedged.

The Group does not currently actively take measures to mitigate its exposure to foreign currency risk in sales.

The Group prepares its financial statements in EURO and therefore its results and net assets position are exposed to retranslation risk as a result of fluctuation in the RMB EURO exchange rate.

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and USD/RMB exchange rate with all other factors being constant.

It assumes a +/– 10% change of the USD/RMB average exchange rate for the twelve (12) months' period for the financial years under review respectively. This percentage has been determined based on the average market volatility in exchange rates during the financial year ended 31 December 2010. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the RMB had strengthened against the USD by 10% then this would have had the following impact:

	Profit for the year	Equity
	kEUR	kEUR
31 December 2010	(123)	(123)
31 December 2009	(202)	(202)
31 December 2008	(156)	(156)

If the RMB had weakened against the USD by 10% then this would have had the following impact:

	Profit for the year	Equity
	kEUR	kEUR
31 December 2010	123	123
31 December 2009	202	202
31 December 2008	156	156

Exposures to foreign exchange rates vary during the financial years depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(ii) Interest rate sensitivity

The Group's policy is to minimise the interest rate cash flow risk exposures on short term financing. As at 31 December 2010, the Group is exposed to changes in market interest rates through short-term bank borrowings being renewed at interest rates different to those currently in place. The exposure to interest rates for the Group's funds deposited with banks is considered to be immaterial.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/– 2%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each reporting period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

If the average market interest rates increased by 2% then this would have had the following impact:

	Profit for the year	Equity
	kEUR	kEUR
31 December 2010	(308)	(308)
31 December 2009	(152)	(152)
31 December 2008	(140)	(140)

If the average market interest rates decreased by 2% then this would have had the following impact:

	Profit for the year	Equity
	kEUR	kEUR
31 December 2010	308	308
31 December 2009	152	152
31 December 2008	140	140

31.2 Credit risk

Receivables may give rise to credit risk which requires the loss to be recognised if a counter party fail to perform as contracted. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history on an ongoing basis.

The Group's exposure to credit risk is influenced by the individual characteristic of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

At the end of the reporting period, approximately 45% (2009: 49% and 2008: 65%) of the Group's trade receivables were due from 5 major customers who are wholesalers and distributors located in the PRC and South Africa.

As the Group does not hold any collateral, the maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the consolidated statements of financial position.

In respect of the cash and bank balances placed with major financial institutions in the PRC, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

No impairment loss needed to be recognised in the profit or loss in respect of financial assets during the reporting periods.

The Group does not enter into derivatives to manage credit risk.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in Note 11 to the consolidated financial statements.

	31.12.2010		31.12.2009		31.12.2008	
	Carrying value	**Maximum exposure**	**Carrying value**	**Maximum exposure**	**Carrying value**	**Maximum exposure**
Finance assets	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**	**kEUR**
Cash and cash equivalents.	15,319	15,319	7,718	7,718	5,122	5,122
Trade and other receivables.	20,118	20,118	11,050	11,050	7,394	7,394
Total financial assets . .	35,437	35,437	18,768	18,768	12,516	12,516

31.3 Liquidity risk analysis

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Liquidity needs are monitored closely with any significant cash outflows being considered against prevailing liquidity position prior to it being committed.

The Group maintains cash to meet its liquidity requirements for a 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by the availability of credit facilities from financial institutions, which the management believes no significant difficulty to obtain given the past repayment record of the Group with the banks.

As at 31 December 2010, the Group's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
	Within 6 months	6–12 months	1 to 5 years	Later than 5 years
	kEUR	kEUR	kEUR	kEUR
Trade and other payables	22,476	–	–	–
Borrowings	9,814	8,323	3,729	–
Total	32,290	8,323	3,729	–

As at 31 December 2009, the Group's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
	Within 6 months	6–12 months	1 to 5 years	Later than 5 years
	kEUR	kEUR	kEUR	kEUR
Trade and other payables	5,636	–	–	–
Borrowings	1,869	5,566	–	–
Total	7,505	5,566	–	–

This compares to the maturity of the Group's financial liabilities as at 31 December 2008 as follows:

	Current		Non-current	
	Within 6 months	6–12 months	1 to 5 years	Later than 5 years
	kEUR	kEUR	kEUR	kEUR
Trade and other payables	7,909	–	–	–
Borrowings	1,139	6,433	14	–
Total	9,048	6,433	14	–

31.4 Capital management policies and procedures

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to ensure sufficient capital to achieve the Group's strategic goals; and

(iii) to provide an adequate return to shareholders

by pricing products commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity, loans and cash and cash equivalents as presented on the face of the consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, i. e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. 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.

During the financial years under review, the management monitored capital of the respective companies within the Group separately in a way that there would always be sufficient reserves in the equity for distribution of dividends. Moving forward upon the completion of the restructuring exercise (where the proposed ultimate holding company will be established in Germany to acquire the entire interest in the share capital of the Company) and the proposed IPO on the Frankfurt Stock Exchange in Germany, the Powerland Group intends then to monitor capital using a gearing ratio. This gearing ratio will be net debt divided by total net debt and equity. A detailed calculation of the net debt is shown in the breakdown below:

	31.12.2010	31.12.2009	31.12.2008
	kEUR	kEUR	kEUR
Borrowings	21,866	7,435	7,586
Cash and cash equivalents	(15,319)	(7,718)	(5,122)
Net debt	6,547	(283)	2,464
Net debt	6,547	(283)	2,464
Equity	27,205	17,515	16,003
Total net debt and equity	33,752	17,232	18,467

32. SIGNIFICANT EVENTS DURING THE REPORTING PERIODS

The Group is regarded as continuing entity resulting from the reorganisation exercise since the management of all the above entities, which took part in the reorganisation exercise were controlled by the same management and under the common controlling party, i. e. Mr. Guo Shun Yuan before and immediately after the reorganisation exercise. Consequently, there was a continuation of the control over the entities' financial and operating policy decision and risk and benefits to the ultimate control party that existed prior to the reorganisation exercise. The reorganisation exercise has been accounted for as restructuring transactions under common control.

33. SIGNIFICANT EVENTS AFTER THE REPORTING PERIODS

Powerland AG was founded by Guo GmbH & Co. KG ("the Founder") by means of a notarial deed of incorporation (Roll of Deeds No. 48/2011 of the notary Dr. Andreas Bittner, Frankfurt am Main) dated 21 February 2011. The incorporation of Powerland AG shall take the form of contribution-in-kind.

Pursuant to a share contribution agreement dated 24 February 2011, the sole shareholder of the Founder, Mr. Guo Shun Yuan, is required to transfer his entire shareholdings in Powerland Hong Kong comprising 10,000 units of ordinary shares of HK$ 1.00 each in exchange for 10,000,000 no par value bearer shares in Powerland AG at an issue price of EUR 1.00 each.

Consequently, Powerland Hong Kong will become the wholly-owned subsidiary of Powerland AG.

34. CONTINGENT LIABILITIES

(a) As explained in Note 17 (e), the Group has in the past not paid the full amount of social insurance and housing funds to its employees in accordance with the PRC Social Security Insurance Collection and Payment Regulation. Considering the risk for additional payments for prior periods, an accrual of approximately kEUR 1,097 was made as at 31 December 2010 based on the Group's estimates for the past unpaid contributions. Mr. Guo Shun Yuan, the owner of the Group has undertaken an agreement with the Group according to which he would reimburse the Group for any additional losses incurred for such additional social insurance and housing funds payments claims by the authorities to the extent of satisfactory resolution of any legal actions taken against the Group in relation to social insurance and housing funds.

INDEPENDENT AUDITORS' REPORT

To the Management of Powerland International Holdings Limited, Hong Kong

Report on the consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Powerland International Holdings Limited, Hong Kong, for the years as of December 31, 2010, 2009 and 2008. These financial statements comprise the consolidated statements of financial position, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with those International Financial Reporting Standards applicable to financial reporting as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Powerland International Holdings Limited, Hong Kong, for the years as of December 31, 2010, 2009 and 2008 and of its financial performance and its cash flows for the years then ended in accordance with those International Financial Reporting Standards applicable to financial reporting as adopted by the EU.

(Dr. Gebhard Zenke) (Hans-Peter Green)

Hamburg, 4 March 2011

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Wirtschaftsprüfungsgesellschaft
Ferdinandstraße 59
20095 Hamburg, Germany

POWERLAND AG
Frankfurt am Main, Germany

OPENING BALANCE SHEET
BASED ON THE GERMAN COMMERCIAL CODE (Handelsgesetzbuch)
as of 14 March 2011

POWERLAND AG

OPENING BALANCE SHEET

14 MARCH 2011

ASSETS	**EUR**
Fixed Assets	
Investment in a subsidiary	10,000,000.00
	10,000,000.00

EQUITY	**EUR**
Share capital	10,000,000.00
	10,000,000.00

NOTES TO FINANCIAL STATEMENT

A. General Information's about the Company

The Company is a German stock corporation (*Aktiengesellschaft*) operating under German law. The Company was founded by Guo GmbH & Co. KG by means of a notarial deed of formation (*Gründungsurkunde;* Roll of Deeds No. 48/2011 of the notary Dr. Andreas Bittner) dated 21 February 2011 against contributions of all of its shares in Powerland International Holdings Ltd., Hong Kong, China, under a share contribution agreement (*Einbringungsvertrag*). Guo GmbH & Co. KG subscribed for all of the newly issued shares in the Company. The completion (*Durchführung*) of the formation became legally effective by registration in the commercial register of the local court of Frankfurt on March 14, 2011. Upon effectiveness of the Company's formation, Guo GmbH & Co. KG held all shares in the Company. The legal and business name (*Firma*) of the Company is „Powerland AG".

The legal seat (*Satzungssitz*) of the Company is in Frankfurt. The Company is registered with the commercial register (*Handelsregister*) of the local Court (*Amtsgericht*) in Frankfurt under registration number HRB 90460. The Company has its business address in Frankfurt, Germany. The Company's financial year is the calendar year (that means 1 January through 31 December). The Company has been established for an unlimited period of time.

Objective of the Company

The Company's business purpose (*Unternehmensgegenstand*) as set forth § 2 of the Company's Articles of Association (*Satzung*) is the production, sale, distribution and marketing of bags and other textile and leather products, by the Company itself or indirectly by its subsidiaries and/or affiliated companies as well as all businesses and services in connection therewith and services for its subsidiaries and affiliated companies.

Powerland AG

The Company is the parent company of Powerland International Holdings Ltd., Hong Kong, China, Fujian Powerland Leather Case & Products Co., Ltd., Putian, China and Guangzhou Powerland Leather case & Products Co., Ltd., Guangzhou, China and will prepare its first consolidated financial statements for the year ended 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the European Union.

B. Basis of Preparation

The opening balance sheet as at 14 March 2011 has been prepared in accordance with the German commercial Code (HGB) as well as in accordance with the AktG.

C. Significant Accounting Policies

The investment in subsidiary is recorded at cost.

D. Notes to the balance sheet

Fixed assets

The fixed assets are referring to the investment in a subsidiary amounted to EUR 10,000,000.00 namely Powerland International Holdings Ltd., which is incorporated in Hong Kong.

Pursuant to a share contribution agreement dated 24 February 2011, the sole shareholder of Powerland AG, Mr. Shunyuan Guo, transferred his entire shareholdings in Powerland International Holdings Ltd., Hong Kong, in exchange for 10,000,000 no par value bearer shares in Powerland AG at an issue price of EUR 1.00 each. As part of this transfer an evaluation of these shareholdings was conducted in accordance with sect. 33a para. 1 no. 2 AktG. Based on this evaluation as of March 4, 2011, the value of these shares of Powerland Hong Kong with an amount of EUR 10 million has been proved.

Consequently, Powerland International Holdings Ltd., Hong Kong, has become the wholly-owned subsidiary of Powerland AG.

Share capital

The Company was incorporated on February 21, 2011 with the authorized capital of EUR 10,000,000.00 which is divided into 10,000,000 par value ordinary shares with a nominal interest in the share capital of EUR 1.

E. Other Notes

Management Board

Mr. Shunyuan Guo	CEO(Chief Executive Officer) (Vorstandsvorsitzender)
Mr. Yongliang Guo	CPO (Chief Production Officer)
Mr. Hock Soon Gan	CFO (Chief Financial Officer)
Mr. Qingsheng Cai	CAO (Chief Accounting Officer)

Supervisory Board

Mr. Fujin Chen	Chairman of Supervisory Board (Vorsitzender des Aufsichtsrats)
Mr. Junqi Huang	Deputy Chairman of the Supervisory Board
Mr. Liming Huang	Member of the Supervisory Board

In the near future following new members of the supervisory board AG will be nominated:

Mr. Dr. Peter Diesch

Mr. Volker Potthoff

Mr. Hsueh YiHuang

Subsidiaries/Shares in Affiliated Enterprises

Powerland International Holdings Ltd., Hong Kong, China

Share	100%
Equity 2010	kEUR 21,066
Loss 2010	kEUR – (*)

(*) less than kEUR 1)

Fujian Powerland Leather Case & Products Co., Ltd., Putian, China

Share	100%
Equity 2010	kEUR 24,215
Profit 2010	kEUR 22,673

Guangzhou Powerland Leather Case & Products Co., Ltd., Guangzhou, China

Share	100%
Equity 2010	kEUR 2,989
Loss 2010	kEUR 56

Frankfurt, 17 March 2011

Powerland AG

The management board

Mr. Shunyuan Guo Mr. Hock Soon Gan Mr. Yongliang Guo Mr. Qingsheng Cai

AUDITORS´ REPORT

To Powerland AG

We have audited the opening balance sheet and the explanatory notes of the Powerland AG, Frankfurt am Main, as of 14 March 2011. The preparation of the opening balance sheet and the explanatory notes in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the opening balance sheet and the explanatory notes on our audit.

We conducted our audit in accordance with sec. 317 HGB („Handelsgesetzbuch“: „German Commercial Code“) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the opening balance sheet and the explanatory notes are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the opening balance sheet and the explanatory notes are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the opening balance sheet and the explanatory notes. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the opening balance sheet and the explanatory notes comply with German commercial law.

Hamburg, 18 March 2011

BDO AG
Wirtschaftsprüfungsgesellschaft

Dr. Gebhard Zenke Wirtschaftsprüfer	Hans-Peter Green Wirtschaftsprüfer

GLOSSARY

AIC	State or Local Administration for Industry and Commerce in the PRC
CEO	Chief Executive Officer
CFO	Chief Financial Officer
China or PRC	The People's Republic of China, which, for the purpose of this Prospectus, excludes Hong Kong and Macau
CPO	Chief Production Officer
CPPCC	Chinese People's Political Consultative Conference, abbreviated CPPCC, is a political advisory body in the PRC. The organisation consists of delegates from a range of political parties and organisations, as well as independent members.
CSRC	China Security and Regulatory Commission
Deposited Security	A security in the Company standing to the credit of a Securities Account of a Depositor subject to the provision of the German Securities Depository Act (DepotG)
Depositor	A holder of a Securities Account
EPS	Earnings per share
EU	European Union
EUR	Euro, the official currency of the Eurozone and the EU institutions
Existing Offer Shares	500,000 shares in the Company from the holdings of Guo GmbH & Co. KG
Existing Shares	All 10,000,000 shares in Powerland AG issued and existing as at the date of this Prospects
GDP	Gross Domestic Product
Selling Shareholder	Guo GmbH & Co. KG
Greenshoe Shares	825,000 shares in Powerland AG from the holdings of Guo GmbH & Co. KG offered in connection with a potential over-allotment
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
ISO	International Organisation for Standardisation is a non-governmental organisation and international federation comprising national standards institutes from various countries
Management Board	Management board of Powerland AG
MOFCOM	Ministry of Commerce of the People's Republic of China
N/A	Not applicable

New Shares	All new shares in Powerland AG to be issued and resulting from the capital increase to be resolved for the purpose of the Offering
Offer Shares	All shares in Powerland AG being part of the Offering, i. e. the New Shares, the Existing Offer Shares and the Greenshoe Shares
Periods under review	The periods comprising the financial year 2008, the financial year 2009, and the financial year 2010
Powerland, Powerland Group, or Group	Powerland AG and its subsidiaries Powerland Hong Kong, Powerland Fujian, and Powerland Guangzhou
Powerland Fujian	Fujian Powerland Leather Case & Products Co., Ltd., one of two PRC operative companies of Powerland Group
Powerland Guangzhou	Guangzhou Powerland Leather Case & Products Co., Ltd., one of two PRC operative companies of Powerland Group
Powerland Hong Kong	Powerland International Holdings Limited, the intermediate holding company of Powerland Group
PRC	The People's Republic of China, which, for the purpose of this Prospectus, excludes Hong Kong and Macau
PU/PVC	PU (Polyurethane) and PVC (Polyvinyl chloride) are thermoplastic polymers, which are widely used raw materials for the production of clothing, upholstery, and bags.
RMB	Renminbi, the currency of the PRC
SAFE	State Administration for Foreign Exchange (China)
Sqm	Square metre(s)
Supervisory Board	Supervisory board of Powerland AG
Tier 1, Tier 2, Tier 2	China categorizes cities into the following administrative levels: four municipalities directly under the Central Government (Beijing, Shanghai, Tianjin and Chongqing), 27 provincial capitals (Guangzhou, Hangzhou, Chengdu, etc.) and 310 prefecture cities. Within the municipalities, provincial capital's and prefecture cities' territories are 856 city-associated districts, 369 county-level cities and 1,600 counties. When doing business in China, multinational companies adopt different ways to prioritize these city markets according to their specific criteria. A common approach is to classify the four municipalities, 27 provincial capitals, and a handful of prosperous prefecture cities such as Shenzhen, Dalian and Ningbo as Tier 1 cities, the more than 300 prefecture cities as Tier 2 cities, the 1,200 city-associated districts and county-level cities as Tier 3 cities, and 1,600 counties as Tier 4 cities *(Source: Bain & Company, "The race for 'small' town China", 14 January 2009)*
Ton(s)	Metric ton(s)
Underwriting Agreement	The underwriting agreement between the Company, the Existing Shareholders and the Underwriters
United States	United States of America
USD	United States of America Dollar

VAT	Value Added Tax
WFOE	Wholly foreign-owned enterprise established under the PRC laws
WTO	World Trade Organisation

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SIGNATURES

Powerland AG
signed by Mr. Shunyuan Guo
Chairman of the Management Board
(Vorstandsvorsitzender)

Powerland AG
signed by Mr. Gan Hock Soon
Chief Financial Officer
(Finanzvorstand)

Macquarie Capital (Europe) Limited
signed by Mr. Antony Isaacs

Macquarie Capital (Europe) Limited
signed by Mr. Carsten Klante

Joh. Berenberg, Gossler & Co. KG
signed under power of attorney
by Mr. Antony Isaacs

Joh. Berenberg, Gossler & Co. KG
signed under power of attorney
by Mr. Carsten Klante