Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in the Company before making any investment decision in relation to the Company.

RISKS RELATING TO OUR BUSINESS

Sales to our top five customers represented between 81.9% and 86.3% of our total revenue and approximately between 72.4% and 84.9% of our gross trade receivable balances during the Track Record Period, and we have no long-term sales contracts with any of our customers, including our top five customers. If our customers were to terminate their respective relationships with us entirely, or if there was a change in their creditworthiness, our business would be adversely affected

Aggregate sales to our top five customers represented approximately 81.9%, 82.6%, 84.5% and 86.3% of our total sales in the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 and approximately 82.1%, 84.9%, 84.8% and 72.4% of our gross trade receivable balances as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively. As we believe it is common in the apparel supply chain servicing and retail industries, we do not enter into long-term sales contracts with any of our customers. Customers may terminate their respective relationships with us at any time without cause and almost immediately. Further, our customers, including our top five customers, are not obligated in any way to continue placing orders with us at all or at the same level which they historically have done. If any of our key customers, including our top five customers, were to substantially reduce the volume and/or value of the orders it places with us or were to terminate its business relationship with us entirely, there can be no assurance that we would be able to obtain orders from other customers to replace any such loss of sales or that, if we were to be able to obtain other orders, they would be on commercially reasonable terms. In addition, if any of our customers fail to settle the sales proceeds in accordance with the agreed credit terms, the working capital position of the Group may be adversely affected. Bad debt provisions or write-offs may also be required for receivables, which will have an adverse effect on the Group's profitability. If any of these relationships were to be so altered and we were unable to obtain replacement orders, or if there is a change in our customers' creditworthiness, our results of operations would be materially adversely affected.

Sales to our largest customer, Giordano, accounted for approximately 63.6%, 55.9%, 63.5% and 70.1% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively, and Giordano's business and operations could have material and adverse effects on our business operations and financial results

While the apparel industry in the PRC faces fierce market competition, we derived a significant portion of our revenue from providing apparel supply chain services to our major customer, Giordano, during the Track Record Period. The Directors believe that Giordano is one of the most recognised and established casual wear retailers in the Asia Pacific region. Our sales to Giordano accounted for approximately 63.6%, 55.9%, 63.5% and 70.1% of our total revenue during the Track Record Period. Furthermore, trade receivables from Giordano accounted for approximately 29.2%, 16.5%, 50.0% and 58.0% of our gross trade receivable balances as at the end of the respective years or period. We have not entered into any long-term sales contract with Giordano, apart from a memorandum of cooperation where Giordano will use its best commercial effort to appoint us as their apparel product supplier, and our business and financial results may be impacted by, amongst other factors, the continuation of orders, and the quantity levels of such orders, placed by Giordano, as well as Giordano's ability to settle the sales proceeds in accordance with the agreed credit terms. For details of our relationship with Giordano, please refer to the section headed "Business — Our relationship with Giordano" in this prospectus.

We cannot confirm that we are the largest provider of apparel supply chain services to Giordano and we cannot assure you that we will continue to receive orders, or receive orders of the same quantity as in the past. As a result, our business and financial results would be materially and adversely affected should Giordano reduces its quantity of orders placed with us or cease to purchase from us as we anticipate that our business relationship with Giordano will continue in the foreseeable future. We may not be able to secure a comparable level of business from other customers on comparable commercial terms to offset the loss of revenue from this customer.

We are exposed to credit risks of our customers

We rely on the businesses generated by our customers. We grant customers of our apparel supply chain servicing business a credit period of 30 to 90 days. Under the apparel retail segment, consumers who purchase from our self-operated retail outlets are required to pay at the time of purchase by cash or credit card. On the other hand, our cooperative partners are required to settle their payments through bank transfer on a monthly basis. For our franchisees, they are required to settle the full purchase amount within three days after making the purchase order.

We do not have access to all information of our customers to determine their creditworthiness. Some of our customers have only had a short business history with us. Our customers may discontinue, limit or fail to enhance their respective current level of business engagements with us. The complete financial and operational information of our customers is not always available to the Directors, and the Directors are not in any position to obtain such information. As a result, our average trade receivables turnover days increased during the Track Record Period was 47 days, 49 days, 59 days and 66 days for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. Furthermore, the percentage of overdue trade receivable balances increased from approximately 1.8% as at 31 December 2009 to approximately 9.3% as at 30 June 2012. If any of our major customers experience any financial difficulty, our business with such customers and settlement of outstanding amounts owing to us may be adversely affected. Moreover, any deterioration of the financial status of our customers may cause reduction in their orders for our products and/or expose us to higher credit risks in terms of their timeliness of payments which may in turn adversely affect our results of operations and profitability.

We may not be able to maintain our gross profit margin and growth in profit for the year in the future

Our gross profit margin for the years ended 31 December 2009, 2010 and 2011 was approximately 11.3%, 9.8% and 17.3%, respectively, while our profit for the year amounted to approximately HK$23.4 million, HK$21.5 million and HK$83.8 million, respectively, for the same periods. The significant increase in gross profit margin and profit for the year ended 31 December 2011 was mainly because (i) under our pricing strategy and procurement policy as described under the section headed "Business — Apparel supply chain servicing segment — Pricing strategy and procurement policy" in this prospectus, we were able to lock in higher average selling prices for sales orders that we received during the end of 2010 and first quarter of 2011 to offset the relatively higher raw material prices expected over the production period. However, cotton prices peaked in the first quarter of 2011 and gradually decreased over the year. As we made (i) split purchases of raw materials and semi-finished products for our in-house production or production by our third-party manufacturers where we were responsible for providing the raw materials, and (ii) split purchase arrangements for finished products from third-party manufacturers, we enjoyed the lowering purchase cost of raw materials during the period from the split purchase strategy, which outweighed the potential benefit from bulk purchases. The Directors estimate the above mentioned pricing policy and the fluctuation of raw material prices allow us to capture a windfall gain which contributed to approximately HK$60.4 million of our significant growth in gross profit of approximately HK$91.0 million under the apparel supply chain servicing segment for the year ended 31 December 2011 or an after-tax profit of approximately HK$45.8 million, without taking into account of other operating expenses. The Directors believe that windfall gain of this kind is unlikely to occur during any period when prices of our raw materials remain stable; and (ii) an increase in the proportion of revenue generated from the sales of products with higher gross profit margins, such as jackets, jeans and pants, during the year. Proportion of revenue contributed from the sale of such products increased from approximately 61.3% of our revenue from the apparel supply chain servicing segment for the year ended 31 December 2010 to approximately 64.9% for the year ended 31 December 2011. Furthermore, the gross profit margins of jackets improved by around 10.1% and that of jeans and pants improved by around 8.1% for the year ended 31 December 2011. In addition to our split purchase strategy, the gross profit margins of our jackets, jeans and pants improved because the orders we received during the year demanded more complicated production processes, which in turn enabled us to bargain and charge higher prices for these products. The Directors estimate this contributed to approximately HK$30.6 million of our significant growth in gross profit of approximately HK$91.0 million under the apparel supply chain servicing segment for the year ended 31 December 2011 or an after-tax profit of approximately HK$23.2 million, without taking into account of other operating expenses.

Our gross profit margin amounted to approximately 14.0% and 17.9% for the six months ended 30 June 2011 and 2012, respectively. The increase in gross profit margin was mainly attributable to the increase in average selling prices of our products during the six months ended 30 June 2012 compared to that for the six months 30 June 2011, as we strengthened the implementation of our pricing policy in late 2010, of which product prices must be set with reference to the estimated cost of the product and our target profit margin. With such pricing policy, we locked in higher average selling prices for sales orders that we received during the second half of 2011 when raw material prices were relatively higher. Then, when raw material prices gradually decreased during the six months ended 30 June 2012, we benefited from the lower raw material prices when we made split purchases of raw materials and semi-finished products and split purchase arrangement for finished products from raw material suppliers and third-party manufacturers during the course of production. In addition, part of the revenue recognised during the six months ended 30 June 2011 were from sales orders received during the year ended 31 December 2010 when the raw material prices were lower, thus the average selling prices of our products were also relatively lower during the six months ended 30 June 2011.

We cannot provide any assurance that we will continue to maintain our current gross profit margin and growth in profit for the year in the future if our operational costs continue to increase as a result of, among other factors, increased labour, manufacturing and raw materials costs. In addition, as we receive purchase orders from our customers normally three to six months ahead of the delivery of the products, we may not be able to successfully implement our pricing policy in the future, especially if there are unexpected changes in production costs charged by our third-party manufacturers subsequent to finalising sales orders with our customers. Furthermore, we may not be able to maintain our current product mix and sustain the growth in sales of products that entail higher gross profit margins, hence any changes in the product mix in the future may adversely affect our profitability.

Fluctuations in the price, availability and quality of raw materials could disrupt our production management operations and increase production costs

Fabrics and clothing accessories, such as threads, buttons and zippers are the principal raw materials used in production of apparels for the apparel supply chain servicing and retail segments. Substantially all of our raw materials are sourced from PRC suppliers, with a relatively small portion from the international markets upon request from our customers. Approximately 20.6%, 20.8%, 10.0% and 10.8% of our cost of sales represented purchases of raw materials and consumables for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. We do not enter into long-term agreements with our raw material suppliers as we believe it is uncommon in the apparel supply chain servicing and retail industries. For each order, we enter into separate purchase contracts which set out the terms regarding the price, purchase quantity, delivery terms and settlement terms, among others. There is no assurance that our suppliers will continue to supply us the raw materials we need to produce our woven wear and cut-and-sewn knitwear products at favourable or similar prices, or at all. Furthermore, under our pricing strategy and procurement policy as further detailed in the section headed “Business — Apparel supply chain servicing segment — Pricing strategy and procurement policy” in this prospectus, we do not lock in profits on sales orders by immediately purchasing raw materials to meet the sales orders. As a result, our results of operations depend on our ability to accurately estimate the raw material price trend over the production period of the respective order and our ability to pass on the expected increase in raw material price, if any, when we negotiate product prices with our customers.

In addition, cost of merchandise purchased, which represented production orders under our apparel supply chain servicing and retail segments allocated in whole to third-party manufacturers, was the largest component of our cost of sales during the Track Record Period. The increase in the prices of raw materials may lead to higher purchase prices of finished goods from such third-party manufacturers as they are responsible for sourcing the raw materials for the production of our products. For example, fluctuations in cotton prices may have an impact on our profitability through the indirect impact on costs of the fabric, which is one of our principal raw materials, and merchandise purchased. Further, as we receive purchase orders from our customers normally three to six months ahead of the delivery of the products, fluctuations in the prices of raw materials and processing fees may significantly and adversely affect our profitability, especially if such prices are volatile on an increasing trend during the course of production. For further details of fluctuations in cotton prices in the PRC, please refer to the section headed “Industry Overview — Factors affecting the apparel industry in China” in this prospectus.

In the event that the prices of raw materials continue to rise resulting in increased prices charged by our third-party manufacturers and we are unable to increase the prices of our products to the same or higher extent, our profitability may be adversely affected. For illustrative purpose only, the following table illustrates the sensitivity of the changes in our performance for each of the period indicated in the event that there is a hypothetical fluctuation in the aggregate costs of raw materials and consumables used and merchandise purchased (taking into account of change in inventories):

Hypothetical fluctuations (HK$'000)	+1.0%	+5.0%	+12.0%	–1.0%	–5.0%	–12.0%
Change in prices of raw materials and consumables used and costs of merchandise purchased						
For the year ended 31 December 2009	5,659	28,294	67,906	(5,659)	(28,294)	(67,906)
For the year ended 31 December 2010	7,861	39,306	94,335	(7,861)	(39,306)	(94,335)
For the year ended 31 December 2011	7,827	39,135	93,924	(7,827)	(39,135)	(93,924)
For the six months ended 30 June 2011	3,360	16,802	40,325	(3,360)	(16,802)	(40,325)
For the six months ended 30 June 2012	3,168	15,841	38,019	(3,168)	(15,841)	(38,019)
Change in profit before tax						
For the year ended 31 December 2009	(5,659)	(28,294)	(67,906)	5,659	28,294	67,906
For the year ended 31 December 2010	(7,861)	(39,306)	(94,335)	7,861	39,306	94,335
For the year ended 31 December 2011	(7,827)	(39,135)	(93,924)	7,827	39,135	93,924
For the six months ended 30 June 2011	(3,360)	(16,802)	(40,325)	3,360	16,802	40,325
For the six months ended 30 June 2012	(3,168)	(15,841)	(38,019)	3,168	15,841	38,019
Change in profit after tax						
For the year ended 31 December 2009	(4,255)	(21,277)	(51,065)	4,255	21,277	51,065
For the year ended 31 December 2010	(5,283)	(26,414)	(63,393)	5,283	26,414	63,393
For the year ended 31 December 2011	(5,941)	(29,704)	(71,289)	5,941	29,704	71,289
For the six months ended 30 June 2011	(2,141)	(10,703)	(25,687)	2,141	10,703	25,687
For the six months ended 30 June 2012	(2,582)	(12,911)	(30,985)	2,582	12,911	30,985

Note:

(1) the rates of hypothetical fluctuation applied represent the respective year-on-year percentage change of our respective unit cost of raw materials and consumables used and merchandise purchased (taking into account of change in inventories) during the Track Record Period.

We are dependent on third parties for the production of our apparel and accessory products, and disruption of our third-party manufacturers' manufacturing operations could materially and adversely affect our business

Since November 2011 and up to the Latest Practicable Date, all our apparel and accessory products are produced by our third-party manufacturers. We are dependent on third parties for the production of a significant portion of the apparel and all of the accessories for the apparel supply chain servicing and apparel retail segments, however we do not have any long-term contracts with such third parties. In addition, any significant damage to our third-party manufacturers' production facilities from natural or other causes, such as weather, natural disaster, fire, or other technical and mechanical difficulties could be costly and time-consuming to repair and would disrupt the production of our apparel and accessory products and negatively affect our business. Furthermore, catastrophes or circumstances beyond our third-party manufacturers' control, including power outages, restrictions in the use of electricity, strikes, terrorism, wars and various contagious diseases or other uncontrollable events could cause disruption to the operations of our third-party manufacturers, hence cause delays in delivery schedules or impair our ability to deliver products and adequately fulfil customers' orders.

Without adequate supplies of apparel and accessories for the apparel supply chain servicing and retail segments to sell to customers in the styles and fashions demanded by them, our revenue may decrease materially and our business may be harmed. In the event that our third-party manufacturers are unable or unwilling to continue to manufacture apparels for us, we would need to identify new third-party manufacturers. We may not be able to identify such third-party manufacturers for our existing or new products in a timely manner and such manufacturers may not allocate sufficient capacity to us in order to meet our requirements. If we were unable to secure adequate and timely supplies of apparel and accessory products, our sales and gross margin rates and ultimately our operating results may be harmed.

In addition, even if current manufacturers continue to manufacture our products, they may not maintain adequate controls with respect to product specifications and quality and may not continue to manufacture products that are consistent with our standards. If we were forced to rely on products of inferior quality, brand recognition of our in-house apparel retail brands and customer satisfaction may suffer. There is also no assurance that these manufacturers will not increase their selling prices, and if prices are being increased, the profit margins of our products may be adversely affected.

Should we experience significant unanticipated demands, we will be required to significantly expand our access to manufacturing, both from current and new third-party manufacturing sources. If such additional manufacturing capacity is not available on terms as favourable as those obtained from current sources, our financial results may be adversely affected.

Failure to anticipate and respond in a timely manner to rapid changes in fashion trends, consumer preferences and spending patterns may cause our sales to decline and so our business and results of operations may be materially and adversely affected

We design, develop and produce men's and women's woven wear and cut-and-sewn knitwear products for a number of owners or agents of global reputable apparel retail brands, which products are sold in a number of countries and are widely-known to the general public, and our own in-house apparel retail brands. Most of our revenue are derived from the supply chain servicing segment in the PRC. Consumer preferences in the men's and women's apparel and accessories market are constantly evolving. The ability to anticipate future fashion trends and consumer demand and the ability to respond and take appropriate actions will be crucial to our future business growth and success in the apparel supply chain servicing and retail segments. There is no assurance that our designs of cut-and-sewn knitwear and woven wear products for customers under our apparel supply chain servicing business and our apparel retail products will be well received. If we can no longer meet the preferences of our customers and consumers, our results of operations, financial performance and business could be materially and adversely affected.

We are implementing growth strategies in the apparel retail segment and we plan to allocate 85.1% of our proceeds from the Global Offering on expanding our apparel retail business. Failure to implement such could materially and adversely affect our business

Whilst we are primarily engaged in the apparel supply chain servicing business, we are also engaged in the apparel retail business in the PRC, where approximately 3.8%, 4.0%, 4.2% and 6.0% of our total revenue were derived from our apparel retail business for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012. We plan to allocate 85.1% of our proceeds from the Global Offering on expanding our apparel retail business by developing our apparel retail sales network, expanding the geographical coverage of our POS and diversifying our retail brand portfolio by obtaining licence rights to produce, market and sell more recognised global brands. However, these moves may create pressure on our managerial, technical, financial, production, operational and our other resources allocation. In addition, we have no previous experience in operating multi-brand retail outlets where products under our in-house apparel retail brands and Licensed Brands are offered. Furthermore, a considerable amount of POS was closed during the Track Record Period and we have not been able to recover the start-up costs of some of our POS upon their closures. There can be no assurance that we would be able to implement such growth strategy successfully, or that our apparel retail business would grow as we have expected, in which case our business and results of operations may be materially and adversely affected.

The success of our apparel retail business in the PRC depends on the continuing operation and expansion of our retail network, including Concession Stores and Free-standing Stores; non-renewal of or changes in the terms of the Concession Stores or Free-standing Stores may harm our apparel retail business

As at the Latest Practicable Date, out of our 87 Unisex Outlets and three Unisex Life Outlets in the PRC, 80 were Concession Stores (of which, 22 were operated by us, 21 were operated by our franchisees and 37 were jointly operated by us with our cooperative partners), while the remaining ten were Free-standing Stores (of which, seven were operated by us, one was operated by our franchisee and two were jointly operated by us with our cooperative partners). There is no assurance that these Concession Stores or the leases for the Free-standing Stores will be continued or renewed by the department stores or third party landlords on expiry or on terms and conditions which are acceptable to us or our franchisees. If such Concession Stores or leases for the Free-standing Stores are not continued or renewed or can only be renewed on less favourable terms, our franchisees or we may have to find Concession Stores in other appropriate department stores or leases at other locations, as applicable. Furthermore, during the course of expanding our apparel retail sales network, there is no assurance that appropriate retail outlets will be located as and when required. If we are unsuccessful in continuing the operation and expansion of our retail network, our business, operating results and financial condition may be adversely affected in a material respect.

The apparel retail segment is entirely reliant on the PRC retail market; if economic condition in the PRC is unstable, our apparel retail business may be harmed

During the years ended 31 December 2009, 2010, 2011 and the six months ended 30 June 2012, 3.8%, 4.0%, 4.2% and 6.0% of our total revenue was derived from sales at our retail outlets, respectively, all of which are located in the PRC. In the event of any adverse changes that may happen to the PRC economy affecting the retail market, such as a slowdown in growth of the GDP in the PRC, which leads to a slowdown in growth of consumer spending, especially discretionary spending on goods like fashion apparel, the business, operating results and financial condition of the Group may be materially and adversely affected.

Failure to effectively maintain or promote our in-house apparel retail brands and Licensed Brands, or to grow our marketing capabilities, may adversely affect our future success or the brand name and reputation of our products

Brand image is a key factor in consumer purchasing decisions for apparel and accessories products. We are committed to developing our in-house apparel retail brands and Licensed Brands, as well as the design and quality of our apparel retail products. Since the launch of our in-house apparel retail brands, we have sought to build brand recognition for the *Unisex* Brands as representing contemporary, trendy and stylish apparel products, and the *Republic* Brands as representing young, hip and casual apparel products. Through our in-house apparel retail brands and Licensed Brands, we believe we are able to distinguish ourselves from other PRC competitors who do not have in-house designers with overseas experience and exposure.

The willingness of consumers to purchase apparel and accessory products of the apparel retail segment depends upon our ability to continue offering an attractive value proposition. If the difference between the value attributed to our products as compared to those of our competitors narrows, or if there is a perception of such a narrowing, consumers may choose not to buy our products. In addition, any claims or negative publicity on our retail products may adversely affect the public perception of our in-house apparel retail brands. If we fail to promote and maintain brand reputation of our products across their respective markets, consumer perception of products of the apparel retail segment as being high quality may be diminished and our business could be materially and adversely affected.

In addition, the success and lifespan of products of our in-house apparel retail brands and Licensed Brands depend, to a significant extent, on the effectiveness of our marketing activities. We market our apparel products to consumers mainly through advertisements on billboards, and through other electronic media and promotional campaigns at our retail outlets. There is no assurance that the current and planned expenditure on advertising and marketing activities will be adequate. Any factors adversely affecting our ability to grow our marketing capabilities or our ability to maintain adequate spending for marketing activities, such as the availability of resources or new governmental regulations, will have an adverse effect on the market share, brand name and reputation of our in-house apparel retail brands and Licensed Brands, which may result in reduced demand for products of the apparel retail segment and negatively affect our business and results of operations.

Furthermore, we could be subject to claims relating to false or misleading advertising. The PRC advertising laws and regulations require advertising contents to be fair and accurate, not misleading and in full compliance with applicable laws. Violation of these laws or regulations may result in penalties, including fines, orders to cease dissemination of advertisements, orders to publish advertisements to rectify any misleading information and even criminal liabilities. If we were found to have committed any violation of applicable PRC advertising laws and regulations, some of our advertising activities may be discontinued, and therefore our revenue and reputation could be materially and adversely affected. Moreover, government actions and civil claims may be filed against us for misleading or inaccurate advertising. We may have to spend significant resources in defending ourselves against such claims, and such claims may damage our reputation and brand image, result in reduced revenue, and negatively affect our results of operations.

We rely on distributorship agreements for the use of Licensed Brands

We have entered into two distributorship agreements in January 2012 under which we were granted the non-exclusive right to (i) manufacture, market and sell men's and women's garment products for two international fashion brands in the PRC; and (ii) market and sell men's and women's garment products for two other international fashion brands in the PRC. These distributorship agreements are for a term of five years and will be automatically renewed for another five years provided that all terms and conditions of the distributorship agreements are fulfiled. However, either the licensor or us may terminate the distributorship agreements by providing a three-month written notice to the other party.

We can give no assurance that the licensors will be satisfied that we have fulfiled the terms and conditions of the distributorship agreements, that the licensors will not attempt to terminate the distributorship agreements, or that we will be able to renew the distributorship agreements on the same or similar terms, or at all. For example, the non-exclusive right to manufacture, market and sell men's and women's garment products for one of the international fashion brands in the PRC that we have been granted with in January 2012 was terminated by the respective licensor in November 2012. If the distributorship agreements are terminated or if we fail to renew any of them upon their expiration, we will be unable to continue to manufacture, as the case maybe, market and sell products under our Licensed Brands, and our business, financial condition and results of operations may be adversely affected. In addition, we may choose to terminate or not to renew the distributorship agreements relating to certain Licensed Brands due to changes in our brand strategy and business plan, and our business, financial condition and results of operations may also be adversely affected as a result.

Our continuing success depends on the ability to adequately protect our intellectual property

We have invested, and plan to continue to invest, significant resources in the development and maintenance of our in-house apparel retail brands. Further details of our intellectual property portfolio are set out in the section headed "Further Information about the Business of the Company — 10. Intellectual property rights of the Group" in Appendix IV to this prospectus. We are aware that an independent third party has registered a trademark in the PRC in January 2010 which is a combined version of *Unisex* and 优捷思 under class 14, which is of a different class to what our own trademarks are registered under in the PRC. The registration of the combined version of *Unisex* and 优捷思 by the independent third party under class 14 covers silver crafts, artifacts made from precious metals, agate, accessories made from silver, precious stones, gem (jewellery), artficial diamonds, watches, stopwatches and silver strands. For further details, please refer to the section headed "Business — Intellectual properties" in this prospectus. There is no assurance that the public may not be misled that products that bear such trademark were endorsed by us or associate such products with those offered by us. If we fail to effectively protect our trademarks from inappropriate or unauthorised use by third parties in ways that adversely affect our corporate image or brand name, our reputation could suffer damage, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may be required to defend ourselves against intellectual property claims from third parties, which could harm our business

Apparel and accessory products under our in-house apparel retail brands and Licensed Brands may be subject to intellectual property rights claims from third parties. Third parties may obtain copyrights in the future and claim that our apparel products infringe their intellectual property rights. For instance, we are aware that an independent third party has registered a trademark in the PRC in January 2010 which is a combined version of *Unisex* and 优捷思 under class 14, which is of a different class to what our own trademarks are registered under in the PRC. The registration of the combined version of *Unisex* and 优捷思 by the independent third party under class 14 covers silver crafts, artifacts made from precious metals, agate, accessories made from silver, precious stones, gem (jewellery), artficial diamonds, watches, stopwatches and silver strands. There is no assurance that such independent third party may not launch any claims in future against us which would restrain us from selling items stated above under the trademarks of *Unisex* and 优捷思. For further details, please refer to the section headed "Business — Intellectual properties" in this prospectus. Furthermore, we have yet to complete the registration in respect of some of our *Unisex* Brands and our *Republic* Brands in the PRC. Third parties may infringe our rights and use brand names under these brands in connection with similar or dissimilar goods or services as those of the Group. Third parties may have rights that are superior to ours in respect of the use of the brand names under these brands if they have obtained a trademark registration, have used those brand names before us in connection with similar goods or services as those of ours, or hold a "well-known" trademark in respect of brand names under these brands. If a third party asserts that our apparel or accessory products or brand names under these brands infringe upon its intellectual property rights, these claims could cause us to incur significant expenses and, if successfully asserted against us, could require us to pay substantial damages and/or prevent us from selling our apparel or accessory products and/or using brand names under some of our *Unisex* Brands and our *Republic* Brands. Even if we were to prevail against such claims, any litigation regarding intellectual property could be costly and time-consuming and could divert the attention of our management and key personnel from our business operations.

Counterfeit apparel products in the PRC could negatively impact our revenue, brand reputation, business and results of operations

Apparel and accessory products under our in-house apparel retail brands and Licensed Brands are subject to competition from counterfeit products, which are products without proper approvals and are fraudulently mislabelled with respect to their content and/or manufacturer. Counterfeiters may illegally manufacture and market apparel or accessory products under our brand name, brand names of our Licensed Brands or that of our competitors. Counterfeit products are generally sold at lower prices than authentic products, and in some cases are very similar in appearance to authentic products. Counterfeit products may or may not have the same material contents as their authentic counterparts. If counterfeit products illegally sold under our brand name or brand names under our Licensed Brands result in adverse side effects to end users, we may be associated with negative publicity resulting from such incidents. In addition, consumers may buy counterfeit products that are in direct competition with our products, which could have an adverse impact on our revenue, business and results of operations. An effective counterfeit enforcement system has not been put in place in the PRC, and the proliferation of counterfeit products in recent years may continue to grow in the future. Any increase in the sale and production of counterfeit of our products in the PRC could negatively impact our revenue, brand reputation, business and results of operations.

We may be exposed to product liabilities claims

We are not required under the PRC law to maintain, and we do not maintain, general product liability insurance for products sold in all of our POS. We may be exposed to product liability claims, and we may, as a result, have to allocate significant financial and managerial resources to defend against such claims. Product liability claim risks are anticipated to increase as legal concepts in product liability claims begin to develop and mature in the PRC where our products are sold. In the event that we are found to be liable for a product liability claim, we may be required to pay a substantial amount of monetary damages so claimed. Even if we successfully defend ourselves against a product liability claim, we may be forced to spend a substantial amount of money, management time and resources on defending such a claim and our reputation may suffer as a result of the negative publicity associated with it.

Our apparel retail business may adversely impact our relationships with customers of our apparel supply chain servicing business, in particular Giordano

Products under our *Unisex* Brands generally target consumers from 25 to 35 years of age who appreciate fashion with contemporary, trendy and stylish designs, whereas products under our *Republic* Brands target the younger population in the PRC who seeks value for money products, frequently shops online and appreciates fashion with young, hip and casual designs. Furthermore, we operate multi-brand retail outlets which offer apparel products under our in-house apparel retail brands and Licensed Brands. As further discussed in section headed "Business — Our business strategies" in this prospectus, we are focusing our growth strategy on the apparel retail segment. The apparel retail segment may place us in direct or indirect competition with customers of our apparel supply chain servicing business, in particular Giordano, if these customers plan to enter or are in the same or similar market segments as ours. As our apparel retail business grows, these customers may consider our apparel retail business poses threats to their business. As a result, customers of our apparel supply chain servicing business, in particular Giordano, may reduce or discontinue their purchase orders with us, which may result in a decrease in our sales volume and revenue from the apparel supply chain servicing segment. Therefore, to the extent that we are unable to offset any loss in our sales volume and revenue from the apparel supply chain servicing segment by corresponding gains in the apparel retail segment, we may experience an overall decrease in sales volume and/or revenue. Our results of operations and financial condition may hence be adversely affected.

We make provisions for obsolete or slow-moving inventory

We make provisions for obsolete or slow-moving inventory at our retail operations. As at 31 December 2009, 2010, 2011 and 30 June 2012, our provisions for obsolete and slow-moving inventories was HK$3.0 million, HK$3.8 million, HK$3.0 million and HK$4.0 million, respectively. Our inventory is susceptible to obsolescence in part because it consists of fashionable apparel and accessories, and demand for such items can rise and fall based on shifting trends. Should we have an increase of obsolete or slow-moving inventory, this will lower the value of our assets and operating profit, hence our financial condition and results of operations will be adversely affected.

Our continuing success depends on our ability to retain our senior management and key personnel

Our success depends on the experience and skills of our current officers, management and key sales employees. In particular, our senior management has significant experience in the sale and production of apparel products. Mr. Huang, our Chairman and chief executive officer, Mr. Chan, Ms. Tang and Mr. Au, the executive Directors and Mr. Wong Yung, our general manager of Shanghai Shining, are responsible for all key managerial functions and strategy of the Group and they have been fundamental to our achievements to date. In addition, Mr. Arthur Lam, our creative director for Shanghai Shining, is responsible for overseeing the design and development team and interior design team of our apparel retail business and the Directors consider that he is able to bring our designs to a new level. The loss of any of these key personnel could adversely affect our ability to sustain and grow our business.

We cannot assure you that we will be able to hire additional qualified employees to strengthen our management team or integrate new management into our existing operations in order to keep pace with the proposed growth of our business. Competition for experienced individuals is fierce in the PRC, and we may not be able to attract or retain suitably qualified personnel. Our failure to attract and retain additional qualified personnel may hinder our ability to grow our business, which could materially and adversely affect our business, financial condition and results of operations.

Some of the properties leased by us are subject to irregularities

As at the Latest Practicable Date, we leased 13 properties in Hong Kong and the PRC for use as corporate headquarters, office premises, staff quarters, warehouses and retail outlets. In relation to two of the properties leased by us as our self-operated Free-standing Stores situated in Shanghai, the lessors have not obtained the relevant building ownership certificates. According to our PRC legal advisor, Jingtian & Gongcheng, we may be required to cease the occupation and usage of such properties, in which case we will have to relocate such retail outlets to another premises.

In addition, the lease agreements of properties numbered 1, 2, 3, 5 and 6 as mentioned in the section headed “Further Information about the Business of the Company — 9. Property” in Appendix IV to this prospectus in the PRC have not been registered as required under the relevant PRC laws and regulations. These properties are used by the Group as office premises as well as self-operated Free-standing Stores. According to our PRC legal advisor, Jingtian &

Gongcheng, we may be required by the relevant PRC authorities to apply for such registration within a stipulated time. If we fail to do so, we may be liable to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. As our PRC legal advisor, Jingtian & Gongcheng, is of the opinion that these lease agreements remain enforceable against the relevant lessors, the Directors estimate that the maximum amount of exposure that we may be subject to is approximately RMB50,000, which represents the maximum amount of penalties that we may be liable to the relevant PRC authorities.

Our business could be harmed by a failure of our information technology and administrative system

We rely on our information technology and administrative systems, particularly the ERP system, POS system and logistics system, to effectively manage our business data, communications, supply chain, order entry and fulfilment and other business processes. The failure of the information technology or administrative systems to perform to our expectations could disrupt our business and result in transaction errors, causing inefficiencies and potential loss of sales and customers. In addition, the information technology and administrative systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures, security breaches and viruses. Any such damage or interruption could have a material adverse effect on our business and prevent us from paying our product suppliers, raw material suppliers or employees, receiving payments from our customers or performing other information technology or administrative services required by our business on a timely basis.

Our insurance coverage may not adequately protect us against certain risks

Insurance companies in the PRC and Hong Kong offer limited commercial insurance products. For example, business interruption insurance available in the PRC or Hong Kong offers less coverage compared to that offered in many other countries. We only maintain limited insurance coverage. As a result, we may have to pay out of our own resources for any uninsured financial or other losses, damages and liabilities, litigation or business disruption. The occurrence of certain incidents, including earthquake, fire, severe weather, war, floods, power outages, terrorist attacks or other disruptive events and the consequences, damages and disruptions resulting from such events may not be fully covered by our insurance policies. If our business operations were disrupted or interrupted for a substantial period of time, we could incur costs and losses that could materially and adversely affect our business, financial condition and results of operations.

We had net current liabilities as at 31 December 2009 and 2010 and negative operating cash flows for the year ended 31 December 2010, and these positions may re-occur after Listing

We have been relying on a combination of funds generated from operations and short-term bank borrowings to finance our operations and expansion. As at 31 December 2009 and 2010, we had net current liabilities of approximately HK$4.1 million and HK$15.8 million, respectively. In addition, for the year ended 31 December 2010, we had net cash used in operating activities of approximately HK$15.5 million. Our net current liabilities position and negative operating cash flows exposed us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing, which may not be sufficient for our future operations.

We may also need to obtain loan financing from financial institutions or other persons and therefore, we may have net current liabilities and high gearing ratio in the future, which may limit our working capital for the purposes of operations or capital for our expansion plans and materially and adversely affect our business, financial condition and results of operations.

Our business and future expansion plans may be adversely affected if we are unable to repay existing debt or to secure additional financing

We had a high level of indebtedness during the Track Record Period. Our total borrowings were approximately HK$47.2 million, HK$36.4 million, HK$25.3 million and HK$37.9 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively, of which all of our bank borrowings as at 30 June 2012 were due for repayment within one year of the end of the reporting period. We may continue to incur debt to fund our daily operations as well as pursue our expansion plans. Our ability to make scheduled repayments of our indebtedness, including our ability to roll over our short-term bank borrowings, will depend heavily upon our future operating performance and cash flow, which in turn will depend upon prevailing economic and political conditions and other factors, many of which are beyond our control. In addition, a high level of indebtedness will expose us to interest rate risks to a greater degree than those companies with lower levels of net current liability.

As at 30 June 2012, the total amount of unutilised banking facilities available to us amounted to approximately HK$287.8 million. In the event that the banks and other financial institutions providing existing banking and credit facilities do not continue to extend similar or more favourable facilities to us and we fail to obtain alternative funding on reasonable terms, our business and financial position will be materially and adversely affected. For further information, please refer to the section headed "Financial Information — Liquidity and capital resources" in this prospectus.

Global market fluctuations and economic downturn could materially and adversely affect our business, financial condition and results of operations

The global capital and credit markets have been experiencing extreme volatility and disruption in recent times. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, and concerns among investors regarding the sovereign debt of various European countries have contributed to unprecedented levels of market volatility and diminished expectations for the global economy and the capital and consumer markets in the future. These factors, combined with volatile oil prices, declining business activities and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged global recession. These events have led to a slowdown in the Chinese economy. Our products are primarily sold to the Chinese market and any slowdown in the Chinese economy may significantly decrease the demand for our products, thereby materially and adversely affecting our business, financial condition and results of operations.

RISKS RELATING TO OUR INDUSTRY

Sales of the Group may be affected by seasonality and a number of other factors

Like other participants in the apparel industry, revenue generated from the apparel supply chain servicing and retail segments are all subject to seasonal fluctuations during the year and are largely determined in part by two major fashion seasons: spring/summer and autumn/winter. Within the apparel supply chain servicing segment, certain products, such as casual jackets, generally record higher sales during September to December each year. The apparel retail segment generally records higher sales in the autumn/winter season and lower sales in the spring/summer season each year. These fluctuations may vary considerably from time to time as a result of changes in seasonal demands. As such, any unpredicted and unusual shift in consumer demands or market trends could adversely affect our revenue. Any unpredictable change in weather patterns or occurrence of any natural catastrophe may also affect our performance. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between same periods in different financial years, are not necessary meaningful and cannot be relied upon as indicators of our performance.

Certain number of our customers are sensitive to social responsibility standards and if we have or are perceived to have failed these standards, these customers may choose not to continue their businesses with us

Retailers and branded apparel manufacturers are facing increasing pressure to ensure that labour practices and factory conditions in relation to their products meet certain social responsibility standards. Accordingly, a number of such retailers and branded apparel manufacturers, who are our long-term customers, require their key suppliers to fulfil their own corporate social responsibility standards or those set out under independent programmes such as WRAP and BSCI. Currently, Speedy Dongguan has obtained both the WRAP and BSCI certifications. Should we or the production processes outsourced to third-party manufacturers fail to fulfil such standards required by our customers or otherwise be publicly associated with poor social responsibility standards, these customers may discontinue our services and our business may be harmed.

Increased inspection procedures, tighter import and export controls and additional trade restrictions could increase our operating costs and cause disruption to our business

The apparel industry is subject to various security and customs inspection and related procedures ("**Inspection Procedures**") in countries of origin and destination as well as at transshipment points. Such Inspection Procedures can result in the seizure of apparel, delays in transshipment or delivery of apparel and the levying of customs duties, fines or other penalties against exporters or importers. If Inspection Procedures or other controls are further tightened, we may incur further costs and delays and our business may be harmed.

On the other hand, we cannot predict whether we will be subject to any additional trade restrictions, including the likelihood, type or effect of any of such restrictions. Generally, trade restrictions, including increased tariffs or quotas, embargoes, and customs restrictions, against apparel items, as well as labour strikes, work stoppages or boycotts, could adversely affect our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Fluctuations in consumer spending in the PRC may significantly affect our business and financial performance

Our woven wear and cut-and-sewn knitwear products as well as our retail apparel and accessory products are sold to major PRC and Hong Kong brands and consumers in the PRC. Our sales and growth are indirectly dependent on consumer spending and the continued improvement of macroeconomic conditions in the PRC, where a substantial portion of our revenues have been generated in the past and are expected to be generated in the future. There are many factors affecting the level of consumer spending, including but not limited to, interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment levels and general consumer confidence. In addition, we believe that our historical growth rates were largely dependent on the general growth of the PRC economy. We can provide no assurance that the PRC economy will continue to grow at historical rates, or at all, and any slowdowns or declines in the PRC economy or consumer spending may materially and adversely affect our business, financial condition, results of operations and growth prospects.

Adverse changes in the PRC economic, political and social conditions as well as laws and government policies, may materially and adversely affect our business, financial condition, results of operations and growth prospects

The economic, political and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. For the past three decades, the PRC government has implemented economic reform and measures emphasising the utilisation of market forces in the development of the PRC economy. We cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. Despite these economic reforms and measures, the PRC government continues to play a significant role in regulating industrial development, allocation of natural resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

Our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions. The China Banking Regulatory Commission (中國銀行業監管委員會) began implementing restrictions on bank lending in early 2010. Stricter lending policies in the PRC may affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten lending standards, or that, if any such measure is implemented, it will not adversely affect our future results of operations or profitability.

Demand for our apparel products and our business, financial condition and results of operations may be materially and adversely affected by the following factors:

- political instability or changes in social conditions of the PRC;
- changes in laws, regulations, and administrative directives or the interpretation thereof;
- measures which may be introduced to control inflation or deflation; and
- changes in the rate or method of taxation.

These factors are affected by a number of variables which are beyond our control.

Foreign exchange transactions and the convertibility of Renminbi into foreign currencies are subject to certain limitations

The use and exchange of foreign currencies are heavily regulated in the PRC and the Renminbi is not permitted to be wired directly to offshore accounts. As a foreign invested enterprise, our PRC subsidiaries are subject to the regulatory restrictions imposed by SAFE. In general, foreign invested enterprises are allowed to open two types of foreign currency accounts, namely, "current account" and "capital account". Conversion between the Renminbi and the foreign currencies in the "current account" can be effected without requiring the approval by SAFE while such conversion in the "capital account" requires approval. A payment to its foreign shareholders by a PRC foreign invested enterprise is considered a transaction under "capital account" and therefore subject to approval by SAFE. In addition to the requirements imposed by the PRC laws and regulations, SAFE also has discretionary authority to decide if an approval shall be granted. We cannot guarantee that our PRC subsidiaries may always be able to obtain such approval from SAFE for a distribution of dividends to the Company. As substantially all our operations are based in the PRC, we rely on dividends from our PRC subsidiaries for cash resources to distribute dividends to the Shareholders. If SAFE rejects our request to exchange the Renminbi to foreign currencies and remit such amount to our offshore account, we may not be able to distribute dividends to the Shareholders and your investment value in us may be materially affected.

The regulations on the management of foreign exchange may also affect our ability to utilise our proceeds from our Global Offering. Further, we cannot assure you that the PRC authorities will not impose further restrictions on methods by which the Renminbi can be converted into foreign currencies. As our revenue is partially derived from the overseas market, any future limitations on the convertibility of the Renminbi may limit our ability to utilise our revenue. If such measures are imposed in the future, our financial condition, results of operations and growth prospects may be materially and adversely affected.

The value of Renminbi and foreign currencies we trade in may fluctuate and may affect our results of operations

The value of the Renminbi has been under pressure of appreciation in recent years. As there have been international pressures on the PRC to allow more flexible exchange rates for the Renminbi, hence economic situation and financial market developments in the PRC and abroad, and the balance of payments situation in the PRC, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. In addition, the exchange rate for the foreign currencies that our operations are exposed to, including but not limited to US dollars, may also fluctuate against Renminbi.

Any appreciation or depreciation in the value of the Renminbi or other foreign currencies that our operations are exposed to, will affect our business in different ways. For example, the appreciation of the Renminbi or the depreciation of foreign currencies may adversely affect the price competitiveness and profitability of the export-oriented apparel products produced by the PRC garment manufacturers in the PRC, as a result of which our sales may be affected. We may also face more intense competition from imported ready-made woven wear and cut-and-sewn knitwear products at a cheaper price due to the appreciation of the Renminbi or depreciation of foreign currencies. In addition, changes in foreign exchange rates may have an impact on the book value of certain of our foreign currency denominated assets and liabilities, and the value of, and any dividends payable on, the Shares in Hong Kong dollars. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

The PRC economy may experience inflationary pressure and the potential inflation may affect our business

Inflationary pressure may exist in various economies in the world. It has been expected that the PRC may experience inflation in the coming years, which may result in general increases in prices of goods. Along with the increase in prices of goods, the prices of our woven wear, cut-and-sewn knitwear products, retail apparel products as well as our raw materials are expected to rise as well. Inflation in the PRC may also lead to an increase in interest rates and a slowdown in economic growth in the PRC, which may negatively impact our business. The overall impact of inflationary pressure may adversely affect our business, financial condition, results of operations and growth prospects.

We may be deemed as a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income

Under the *Enterprise Income Tax Law of the PRC*[*] (中華人民共和國企業所得稅法) (the "**EIT Law**"), which took effect on 1 January 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% EIT rate as to their global income. Under the implementation rules of the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated a circular to clarify the criteria to determine whether the "de facto management bodies" are located within the PRC for enterprises incorporated overseas with controlling shareholder being PRC enterprises.

The EIT Law and its implementation rules have certain ambiguities with respect to the interpretation of the provisions relating to resident enterprise issues. As most of our management is currently based in China and may remain in China in the future, we may be treated as a PRC resident enterprise for PRC EIT purposes. If we are deemed as a PRC resident enterprise, we will be subject to PRC EIT at the rate of 25% on our worldwide income. In that case, however, dividend income we receive from our PRC subsidiaries may be exempt from PRC EIT because the EIT Law and its implementation rules generally provide that dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise is exempt from EIT. However, as there is still uncertainty as to how the EIT Law and its implementation rules will be interpreted and implemented, we cannot assure you that we are eligible for such PRC EIT exemptions or reductions.

We will be required to record a deferred PRC withholding tax liability if we intend to distribute dividends from our PRC subsidiaries to our offshore holding company, which will adversely impact of our financial results

Under the EIT Law, dividends payable to foreign investors that are "derived from sources within the PRC" may be subject to withholding income tax at the rate of 10%, unless otherwise reduced by PRC laws, rules and regulations or through agreements between the PRC Government and the government of the countries or regions. Speedy Dongguan, Koyip Huizhou, Unisex Trading and Shanghai Shining ("**PRC Subsidiaries**") are our operating subsidiaries in the PRC. As a result, the PRC Subsidiaries may be subject to PRC withholding tax at a rate of up to 10% for dividends we pay from the PRC Subsidiaries to Speedy Garment, Jointex Garment, Goalwill Garment and Shining China, our subsidiaries in Hong Kong (the "**Hong Kong Subsidiaries**"), unless the PRC Subsidiaries are otherwise exempted from PRC withholding tax under the PRC laws and regulations for such dividends paid. However, if the Directors decide to distribute dividends from the PRC Subsidiaries to the Hong Kong Subsidiaries in the future such as forming a dividend policy that specifies the percentage of our dividend over our after-tax earnings, we will be required to record a deferred PRC withholding tax liability in our accounts up to 10% (or other applicable percentages as we may be entitled to under the EIT Laws or other applicable rules from time to time) of gross dividend amounts or the prescribed percentage of after-tax earnings. Upon such event, our financial results will be negatively impacted.

Gains on the sales of our Shares by foreign investors and dividends on our Shares payable to foreign investors may become subject to the PRC income taxes

Under the EIT Law and its implementation rules, any gain realised by "non-resident enterprises" is subject to PRC income tax at the rate of up to 10% to the extent such gain is sourced within the PRC and (i) such "non-resident enterprise" has no establishment or premise in the PRC, or (ii) it has an establishment or premise in the PRC, but its income sourced within the PRC has no real connection with such establishment or premise, unless otherwise exempted or reduced by tax treaties. The EIT Law and its implementation have certain ambiguities with respect to the interpretation of the provisions relating to identification of PRC-sourced income. If we are recognised as a PRC resident enterprise under the EIT Law by the PRC tax authorities, our foreign Shareholders that are "non-resident enterprises" may become subject to the PRC income tax at the rate of up to 10% under the EIT Law as to the capital gains realised from sales of our Shares by and dividends distributed to such foreign Shareholders as such income may be regarded as income from "sources within the PRC," unless any such foreign Shareholder is qualified for a preferential income tax rate or tax exemption under a tax treaty or tax law, and we may be required to withhold such income tax on the dividends payable by us to such foreign Shareholders.

If the PRC tax authorities recognise us as a PRC resident enterprise under the EIT Law, Shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties will need to apply to the PRC tax authorities for recognition of eligibility for such benefits in accordance with *the Measures on Tax Conventions Treatments for Non-Residents (for Trial Implementation)** (非居民享受稅收協定待遇管理辦法(試行)), issued by the State Administration of Taxation on 24 August 2009. It is likely that eligibility will be based on a substantive analysis of the Shareholder's tax residency and economic substance. With respect to dividends, the beneficial ownership tests under *the Notice on Interpretation and Recognition of "Beneficial Owner" under Tax Conventions** (關於如何理解和認定稅收協定中"受益所有人"的通知) will also apply. If determined to be ineligible for treaty benefits, such a Shareholder would become subject to the PRC tax rates higher than the preferential tax rates under the relevant tax treaties on capital gains realised from sales of our Shares and on dividends on our Shares. In such circumstances, the value of such foreign Shareholders' investment in our Offer Shares may be materially and adversely affected.

Similarly, *the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprise** (關於加強非居民企業股權轉讓所得稅管理的通知) (Circular Guoshuihan [2009] No. 698) provides that except for the purchase and sale of equity through a public securities market, where a foreign corporate investor indirectly transfers the equity of a PRC resident enterprise by disposing the equity of an overseas holding company ("**Indirect Transfer**") located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5%, or (ii) does not tax its residents on their foreign income, the foreign corporate investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was made. In this case, the PRC tax authority will examine the true nature of the Indirect Transfer. Should it deem the foreign investor to have made the Indirect Transfer without reasonable commercial purpose and in order to avoid the PRC tax, the PRC tax authority may disregard the existence of the overseas holding company that is used for tax planning purpose and re-characterise the Indirect Transfer. As a result, gains derived from such Indirect Transfer by the foreign investor may be subject to the PRC EIT.

Negative publicity on the PRC products may materially and adversely affect our business and reputation

Substantially all of our business operations are located and carried out in the PRC. There have been incidents in the past which involved serious allegations of China-made products containing harmful types or levels of chemicals. If such incidents occur again in the future, their associated negative publicity may have an adverse impact on the general manufacturing sector in the PRC and may indirectly create an adverse impact on our business, which may, in turn, create a negative impact on our profit and revenue. In such event, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

The PRC environmental laws and regulations may change and our environmental compliance liabilities and costs may increase

In recent years, the PRC has introduced and imposed stricter measures on the industrial sector in relation to environmental protection, such as low-carbon requirements. PRC laws and regulations relating to environmental protection at both national and local levels currently impose fines for over-discharge of pollutants, levy fines for causing pollution, and require closure of any facility which causes serious environmental problems. Under such laws and regulations, we are also required to conduct tests prescribed from time to time by the relevant PRC authorities for waste discharge and waste disposal. Non-compliance with such PRC laws and regulations relating to environmental protection may, depending on the seriousness of the circumstances, result in an order for rectification from the authorities, penalties or an order to suspend production.

During the Track Record Period, we have complied with all relevant environmental protection laws and regulations of the PRC in all material aspects and have not received any notice or warning of non-compliance with the PRC laws and regulations relating to environmental protection. However, with the increasing concern over the deteriorating environment in the PRC, we cannot assure that new laws or regulations will not be introduced in the future or that current laws will not be amended with higher requirements and emission standards applicable to manufacturing enterprises. In such event, in order to comply with the new laws or regulations, we may incur additional costs to update our environmental protection devices and take more measures and assign more personnel to make sure our compliance with such laws and regulations. As a result, our financial condition, results of operations and future prospects may be materially and adversely affected.

Any outbreak of severe communicable diseases in the PRC may cause suspension of our operations and affect the economic condition of the PRC which may, in turn, affect our operations

All of our production facilities and operations are located and carried out in the PRC. If any outbreak of severe communicable disease occurs in the PRC and is inadequately controlled, there may be a negative impact on domestic consumption, labour supply and potentially the overall GDP growth of the PRC, which, in turn, may hinder market activities and slow down the general economic growth of the PRC. As our business is sensitive to domestic consumer demand for our products and relies on domestic labour, any inadequately controlled outbreak of severe communicable disease in the PRC could materially and adversely affect our business, financial condition, results of operations and growth prospects.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering, there has not been a public market for our Shares. While we have applied to list and deal in the Shares on the Stock Exchange, we cannot assure you that an active or liquid public market for our Shares will develop or be sustained if developed. The Offer Price of the Shares will be determined through negotiations between us and the Sole Global Coordinator (on behalf of itself and the other underwriters of the Global Offering), and it may not necessarily be indicative of the market price of the Shares after the Global Offering is complete. An investor who purchases Shares in the Global Offering may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares. In addition, as there will be a four Business Day gap between the pricing and trading of the Shares offered in the Global Offering, the initial trading price of our Shares could be lower than the Offer Price due to a variety of reasons including material negative events affecting us.

The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for Shareholders

The price at which the Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- general market sentiment regarding apparel supply chain servicing and retail industries and companies.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Prior dividend distributions are not an indication of our future dividend policy and we do not expect our PRC subsidiary to distribute dividends in the foreseeable future

The Company was incorporated in the Cayman Islands and no dividend has been paid or declared since incorporation. Companies now comprising the Group had declared dividends of approximately HK$23.0 million, HK$21.5 million, HK$17.0 million and HK$61.9 million for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. On 10 September 2012, Jointex Garment, a subsidiary of the Company, declared a dividend of approximately HK$20.5 million for the year ended 31 December 2011 to its then shareholders, who are the existing shareholders of Sky Halo or their holding companies. Such dividend has been fully paid by the end of September 2012 using internally generated resources of the Company. All declared dividends have been fully settled. The source of funding for payment of such dividends was our operating cash flow.

The foregoing dividend distributions were to the Shareholders prior to the Global Offering only. Historical dividend distributions are not indicative of our future distribution policy and we give no assurance that dividends of similar amounts or at similar rates will be paid in the future. Any future dividend declaration and distribution by the Company will be at the discretion of the Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and Companies Law, including (where required) the approval of shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC. For further details of the dividend policy of the Company, please see the section headed “Financial Information — Dividend and dividend policy” in this prospectus.

The sales or the availability for sales of substantial amounts of our Shares in the future could materially and adversely affect the market price of our Shares

The Shares held by the Controlling Shareholders are subject to certain lock-up periods. Please refer to the section headed “Underwriting” in this prospectus for further information. We cannot assure that, after such restriction expire, the Controlling Shareholders will not dispose of any Shares. Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

Shareholders’ interests may be diluted as a result of additional equity fund-raising

We may need to raise additional funds in the future to finance further expansion of our capacity and business. If additional funds are raised through the issuance of new equity or equity-linked securities of us other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

The costs of options to be granted under the Share Option Scheme may negatively affect our results of operations and any exercise of the options granted will result in dilution to the Shareholders

We have adopted the Share Option Scheme pursuant to which we will in the future grant to our employees options to subscribe to Shares. Such options if exercised in full will represent 10% of our issued share capital immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The fair value of the options at the date of which they are granted with reference to the valuer's valuation will be charged as share-based compensation which may have a negative effect on our results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance, and thus will result in the dilution to the percentage of ownership of the Shareholders, the earnings per Share and the net asset value per Share.

Details of the Share Option Scheme and the options to be granted thereunder are set out in the section headed "Other Information — 15. Share option scheme" in Appendix IV to this prospectus.

You may face difficulties in protecting your interests under Cayman Islands law

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take action against the Directors, actions by minority shareholders and the fiduciary responsibilities of the Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such differences many mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For further details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Companies Law" in Appendix III to this prospectus.