Investors should consider carefully all of the information set out in this prospectus and, in particular, should evaluate the following risks in connection with an investment in the Group, certain of which are not typically associated with investing in equity securities of companies located predominantly in Hong Kong or other economically advanced jurisdictions.

The Directors believe that there are certain risks involved in the Group's operations. They can be broadly categorised into: (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to the PRC; and (iv) risks relating to ownership of shares and trading markets.

RISKS RELATING TO THE GROUP

If the broader economy in Hong Kong experiences a downturn, the Group's business may be harmed, as approximately 98% of its annual turnover during the year ended 29 February 2004 and the six months ended 31 August 2004 was derived from sales in Hong Kong.

The fashion apparel industry is very sensitive to broader economic trends. Purchases of apparel and related merchandise tend to decline during recessionary periods. Approximately 98% of the Group's annual turnover during the year ended 29 February 2004 and the six months ended 31 August 2004 has been derived from sales of apparel in Hong Kong. A recession in the economy of Hong Kong, or uncertainties regarding future economic prospects of Hong Kong, could affect consumer spending habits in Hong Kong, including a reduction in their spending, and have an adverse effect on the Group's business. A sustained economic downturn would likely have an adverse effect on the Group's results of operations and financial condition. There can be no assurance that the Group will be able to maintain its historical growth in earnings or revenues, or remain profitable in the future.

The Group's success depends on its ability to identify and respond to constantly changing fashion trends and consumer demands for apparel, footwear and accessories.

The Group's future success depends, in part, upon its ability to identify and respond to fashion trends in a timely manner. Sales in the specialty retail apparel business fluctuate according to changes in the economy and customer preferences. Customer preferences change based on current fashion trends and by season. The Group is susceptible to changing fashion trends and fluctuations in customer demands. Changes in fashion trends, consumer demand and pricing shifts, if unsuccessfully identified, forecasted or responded to by the Group, could lead to lower sales, excess inventories and higher markdowns and harm to the Group's image as a fashion retailer. This, in turn, could have a material adverse effect on the Group's results of operations and financial condition.

Furthermore, even when the Group successfully identifies fashion trends ahead of time, the speed of change in fashion may render certain orders and inventory obsolete. The Group enters into agreements for the manufacture of its in-house and licensed brand apparel and purchases apparel from international brands well in advance of the applicable selling season. In addition, the cyclical nature of the retail business requires that the Group carry inventory, especially during peak selling seasons. Therefore, if the Group is unable to respond quickly to changes in fashion trends and consumer demand, purchase orders that it has already made and inventory may be rendered obsolete and the Group's business may be harmed.

If the Group's name recognition and reputation as a trend setter were damaged, its business may be adversely affected.

The Group's financial success depends in significant part on the name recognition and reputation of its stores in Hong Kong to draw customers to such stores, especially those located in less popular retail areas such as Paterson Street in Hong Kong. A significant portion of this name recognition is based upon the Group's reputation as a trend setter. Currently, a significant majority of the Group sales are derived from sales of more affordably priced apparel with average selling prices between approximately HK$200 and HK$300. If the Group's brands and store names were to become associated with selling primarily lower priced apparel, its reputation as a trend setter in the fashion apparel retail industry in Hong Kong may be harmed. If it were to lose this reputation, its stores may draw fewer customers and its sales may fall as a result.

The Group's success depends on its ability to obtain the right to sell apparel from sought after international brands and brand licensors.

Approximately 43.3% of the Group's total turnover for the year ended 29 February 2004 was derived from the sale of apparel from international brands. A primary competitive factor in the fashion apparel industry in Hong Kong is the status and variety of the international brands stocked by different retail stores. The Group's financial success depends in significant part therefore on its ability to convince established and up-and-coming international brands to allow the Group to sell their apparel in Hong Kong. A significant portion of the Group's status as an attractive partner and distributor in Hong Kong for international brands is based upon its reputation there as a trend setter. If it were to lose this reputation, international brands may become less willing to allow the Group to sell their apparel in its stores and therefore the Group may become less competitive and its sales may fall as a result.

The terms of the Group's licenses may limit the Group's ability to expand using those brands.

The Group's license agreement with the brand owner of *Arnold Palmer* restricts the Group's use of that license to Hong Kong. As the Group has opened a franchised *Arnold Palmer* store in the PRC, the Group may be required by the brand owner to close the store in the PRC, despite the Group having received verbal consent from the brand owner prior to opening the store, or to cease using the license altogether. There can be no guarantee that future license agreements signed by the Group with other brand owners will not contain similar restrictions, which may restrict the Group's ability to expand into other markets using those brands and may limit the Group's growth prospects more generally.

The Group has either short term or no contracts with international brands whose apparel the Group sells. If the Group were to lose the right to sell such apparel, its business may be harmed.

Sales of apparel from international brands accounted for approximately 59%, 53% and 43% of the Group's annual turnover for each of the three years ended 28 February 2002, 28 February 2003 and 29 February 2004, respectively. The Group carries almost all such apparel on a non-exclusive basis. As at the Latest Practicable Date the Group has formal written contracts with only 17 of the international brands whose apparel are among the Group's top 20 by sales. Furthermore, the Group does not have formal written contracts with (or exclusive rights in Hong Kong to) certain of the international brands for whom the Group has established "spin-off" stores. As a result, the companies that control these international brands could open their own stores in Hong Kong or offer these products through other retailers in Hong Kong, which may affect consumer demand for purchasing such products at the Group's stores. If the Group were to lose the rights to distribute apparel from international brands representing a material portion of its annual turnover, or was unable to renew such rights on commercially reasonable terms, its business may be harmed.

The Group's success significantly depends on key personnel and its ability to attract and retain additional personnel.

The Group's future success is dependent on the efforts, performance and abilities of its key management. The loss of the services of the Group's managing director and directors, particularly Mr. Sham Kar Wai or Mr. Sham Kin Wai, would deprive the Group of the strategic and artistic direction they provide the Group and its apparel products. Furthermore, the loss of the services of certain other key personnel, such as Mr. Chan Wai Mo, Alva, integral to the Group's daily operations and the Group's expansion in the PRC, could have a significant adverse impact on its business until adequate replacements can be identified. The loss of any member of the Group's senior management may result in:

- a loss of direction regarding current and future fashion trends;
- a loss of organisational focus;
- poor operating execution;
- an inability to identify and execute potential strategic initiatives such as joint venture and licensing opportunities; and
- an impairment in the Group's ability to identify new store locations.

These adverse results could, among other things, reduce potential revenue, prevent the Group from diversifying its product lines and geographic concentrations, and expose it to downturns in its markets. Those circumstances, in turn, could adversely affect the Group's profitability and financial results.

If the Group is unable to successfully manage the rapid growth of its network of retail stores in Hong Kong, the PRC and Taiwan, its financial performance may be harmed.

The Group is expanding its chain of retail stores in Hong Kong, the PRC and Taiwan. As at 28 February 2003, the Group directly owned 56 free-standing stores and 10 store-in-stores in Hong Kong. As at that date, the Group had one free-standing store in the PRC. As at 31 January 2005, the Group directly owned 95 free-standing stores, 30 store-in-stores and four concessions in Hong Kong. As at 31 January 2005, in the PRC, GSIT operated 23 concessions and sold apparel to them and 56 franchisee-owned free-standing stores and 10 franchisee-owned store-in-stores. As at 31 January 2005, another joint venture, Top Alliance Enterprises Limited, in which the Group holds an indirect 25.5% interest, had opened one free-standing store in Taiwan, two store-in-stores and nine concessions. As at 31 January

2005, a franchisee had four free-standing stores in Malaysia. There can be no assurance that this strategy will be successful. The actual number and type of such retail outlets to be opened and their success will be dependent upon a number of factors, including, among other factors, the Group's ability to manage such expansion and to hire and train sufficiently qualified staff, and successfully negotiate the terms for new retail leases, concession terms and franchise agreements acceptable to the Group. Management of the Group's growth will require continued development of the Group's operating and financial controls and may place strains on the Group's information technology systems.

Further, when the Group expands, its rental commitments, renovation expenses, inventory carrying costs and financing costs will increase. There is no assurance that the Group will be able to expand on a timely basis or operate the business on a profitable basis. If this expansion is not successfully managed, such increased costs will harm the Group's financial results.

A significant amount of the net proceeds of the Offering will be used by the Group to repay existing debt.

Approximately HK$85 million of the net proceeds from the Offering before the Over-allotment Option is exercised are to be used by the Group to repay existing long-term bank loans. Assuming an Offer Price of HK$1.85 per Share (being the mid-point of the stated range of the Offer Price of between HK$1.75 and HK$1.95 per Share) and that the Over-allotment Option is not exercised in whole or in part, this amount will represent approximately 19.7% of the net proceeds from the Offering. Such amount will therefore not be available to fund the Group's future expansion. The Group intends to use approximately HK$340 million (or approximately 78.6%) of the net proceeds from the Offering to fund the expansion of its retail network in Hong Kong, the PRC and Taiwan.

If third party franchisees or joint venture stores are not operated in a manner similar to the Group's stores in Hong Kong, the Group's business and reputation may be harmed.

As at 31 January 2005, approximately half of the Group's stores outside Hong Kong were owned and operated by third party franchisees and the Group expects this percentage to increase in the future. In addition, the retail stores in the PRC not owned by franchisees are owned by a joint venture with Glorious Sun, GSIT, in which the Group holds a 50% stake. This joint venture has the rights to use the Group's brands in the PRC and Macau (other than licensed brands to which the Group currently has no rights outside Hong Kong). GSIT, in turn, holds a 51% stake in a joint venture which controls the Group's operations in Taiwan. This joint venture has the rights to the use of the Group's brands in Taiwan. If these stores are not operated in a manner similar to the Group's stores in Hong Kong, the reputation of the Group's brands may suffer in those markets and its business may be harmed.

The Group may have breached its license agreement with Walt Disney. If the license agreement is terminated and/or Walt Disney successfully obtains a monetary damages award against the Group, the Group's business will be harmed and its reputation damaged.

Pursuant to the Group's license agreement with Walt Disney, the Group may be under an obligation to seek prior consent in respect of the disclosure of their relationship in this prospectus. The Group has not yet obtained such prior consent. In the event that the Group is held to be in breach of its obligations under the license agreement, Walt Disney has the right to take legal action against the Group and/or terminate its license agreement. In such circumstances, the Group may lose its license to sell its *i.t loves mickey* apparel and its financial results and reputation may be harmed.

As the leases for the Group's retail stores in Hong Kong are typically for approximately three years, the Group's financial results may be significantly negatively affected by any rapid increase in commercial real estate rates.

The Group leases all of the property in which its stores are located in Hong Kong. Most of the Group's leases are for relatively short periods, typically for approximately three years. Because the term of these leases is relatively short, the Group is exposed to possible rent increases or non-renewal of leases. In the past, the Hong Kong commercial real estate market has been volatile and the Group has closed stores in response to increased rent demands during periodic upswings in the market. Future changes in the commercial real estate market in Hong Kong could substantially increase the Group's expenses at existing stores or force the Group to close stores. New store sites may not be available on acceptable terms, if at all. As a result, the Group's results of operations and financial condition could be harmed.

If the Group is unable to protect certain of its intellectual property, including trademarks for its stores' names, such as *I.T* which is a common term, its business may be harmed.

The Group has invested, and plans to continue to invest, significant resources in the development and maintenance of its various brands. Many of its brand names, including *I.T*, among others, are common phrases and cannot be trademarked in every country in which the Group operates or may seek to operate in the future. The Group has not yet successfully obtained full trademark protection for *I.T* and *i.t* in the PRC. The Group has registered the marks *I.T* and *i.t* in the PRC in respect of services including (but not limited to) "import-export agencies and sales promotion of others". "Retail services" are not registable as such under the current practice of the Trade Marks Office in the PRC. However, the Group has yet to obtain registration for *I.T* and *i.t* in the PRC in respect of items of clothing. The Group has been advised by counsel that because the term "IT" has multiple meanings and contexts in common usage today, it may be difficult to fully protect in every instance, including from usage by third parties in ways which might be deemed by the Group to be competitive.

The Group is also aware that a third party in Hong Kong has applied to register "5cm" and "Lt" for its own usage in Hong Kong. In addition, the Group is further aware of at least two small "I.T" stores being established in the PRC without permission or license from the Group or GSIT in cities in which the Group has competing, legitimate operations.

Should a third party adopt or use the Group's unregistered trademarks, the Group may not be able to take action to protect its use of such unregistered trademarks. As a result of the third party's use of the Group's unregistered trademarks, the Group's image and brand recognition could be harmed, which, in turn, could have an adverse impact on the Group's financial performance.

Furthermore, the Group could be forced to change its store or brand names. In 1997, the Group was required to re-brand its stores (then known as *Green Peace*) to avoid confusion with the international environmental organisation. If the Group were unable to successfully obtain full trademark protection for *I.T* and *i.t* in the PRC, it may be forced to re-brand those stores and products.

The Group's image and brand name recognition are the result of considerable investment in marketing and advertising. The Group's ability to leverage this investment depends on its ability to continue using such brand names exclusively. Any use of the Group's brands by third parties, or the inability of the Group to use its brand names, would negatively affect the Group's name recognition and the positive effects of advertising or other marketing efforts done to date, which could have an adverse effect on the Group's financial performance. Further, any future disputes concerning trademarks or brands may incur significant litigation costs.

The Group has short term contracts with the licensors from whom the Group has licensed certain brands. If the Group was to lose such licenses, or was unable to renew them on commercially reasonable terms, its business may be harmed.

For the year ended 29 February 2004, sales of apparel from the Group's licensed brands accounted for approximately 9% of its total annual turnover. The Group's license for *Arnold Palmer* expires in April 2006. Its license for *Underground* expires in August 2006. Its license for *Major League Baseball* expires in December 2006. Its license with Walt Disney expires in December 2007. Its license for *FCUK* expires in 2008. There can be no assurance that such agreements will remain in effect or that such agreements can be renewed on acceptable terms or at all. If the Group were to lose its license to any or all of its licensed brands, or was unable to renew such licenses on commercially acceptable terms, the Group's business may be harmed.

Sales may decline if the Group does not successfully advertise and market its products.

The Group's business is affected by the success or failure of its advertising and promotional efforts and those of the international brands whose apparel the Group sells. Future advertising efforts by the Group, its vendors or other licensors may be costly and may not result in increased sales. If the Group were to undertake a major advertising campaign without success, then a failure to realise any revenues from such advertising and promotional expenditures, together with the possible adverse impact on brand value and loss of market share, would have a negative impact upon the Group's revenues. In either case, increased costs and decreased margins, accompanied by static or decreased revenues, would cause a decline in the Group's results of operations.

The Group's products or image campaigns may generate significant negative publicity.

Many of the Group's products and image campaigns are designed to be provocative and cutting edge. As a result, some products and campaigns may generate publicity, some of which may be negative. In 2003, one of the Group's brands introduced a "military look" campaign using 1930s and 1940s-era German imagery and symbols which generated negative publicity, causing the Group to drop the offending products and images. There can be no assurance that future products and campaigns will not generate significant negative publicity. If this were to recur and the Group is unable to respond to such publicity, the Group's results of operations could be negatively affected.

The loss of, or disruption in, the Group's centralised distribution centre and system in Hong Kong or its distribution network in the PRC may negatively impact its business and operations.

The Group's success depends, in large part, on its ability to source and distribute merchandise efficiently. All merchandise for the Group's stores in Hong Kong is received into a centralised distribution centre in Hong Kong where the inventory is then processed, sorted and distributed to the Group's stores. The Group depends, in large part, on the orderly operation of this receiving and distribution process, which depends, in turn, on adherence to shipping schedules and effective management of the distribution centre. Any loss of, or disruption in, the Group's distribution centre and system in Hong Kong could adversely affect the Group's operations there, which accounted for substantially all of the Group's annual turnover (and approximately 99% of the Group's total profit attributable to shareholders) in the year ended 29 February 2004.

There can be no assurance that the Group's insurance will be sufficient, or that insurance proceeds will be timely paid, in the event that the distribution centres are shut down for any reason or if the Group incurs higher costs and longer lead times in connection with the distribution of merchandises to its destinations.

Additionally, within the PRC, the Group relies on a distribution network without formal agreements and the distribution infrastructure is not as developed as in Hong Kong and the distances involved are much greater. There can be no assurance that events beyond the Group's control, such as, sub-standard transportation infrastructure, fire or other catastrophic events, employee matters or shipping problems, or disruptions in operations due to the fact that the distances travelled are much greater in the PRC would not result in delays in the delivery of merchandise to stores.

The Group's growth may not be sustainable.

The Group's business has grown, at times at rapid rates, since inception. This growth has been characterised by increased revenues from store openings in Hong Kong and substantially improved profits. However, in the future, the Group may have fewer opportunities to expand in Hong Kong where it is well-established, and may need to grow in markets such as the PRC. Furthermore, the Group may not be able to reduce costs further to increase profit. As a result, the historical growth rate of the Group's turnover and profit may not be sustainable.

The Group has not in the past and does not currently commission feasibility studies by third parties in connection with its expansion.

The Group has expanded substantially since its inception, and plans to continue to expand its retail network in Hong Kong, the PRC and Taiwan. The Group intends to use a substantial portion of the net proceeds of the Offering to do so. As the Group does not commission feasibility studies by third parties, it has and will continue to rely on its management's experience and outlook in formulating and implementing its expansion plans.

The Group makes provisions for obsolete or slow-moving inventory.

The Group makes provisions for obsolete or slow-moving inventory. During the years ended 28 February 2002 and 2003, the Group made provisions for obsolete and slow-moving inventories of HK$6,938 thousand and HK$9,856 thousand, respectively. During the year ended 29 February 2004, the Group wrote back these provisions of HK$13,281 thousand. During the six months ended 31 August 2004, the Group made provisions for obsolete and slow-moving inventories of HK$605 thousand. To the extent that the Group has obsolete or slow-moving inventory, this practice effectively lowers the value of the Group's assets and operating profit. The Group's 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.

A possible recurrence of a SARS outbreak may materially and adversely affect the Group's business and results of operations.

From March to July 2003, the PRC, Hong Kong, Singapore, Taiwan and certain other areas in Asia experienced an outbreak of a new and contagious form of atypical pneumonia now known as SARS. According to the World Health Organization, over 8,422 cases of SARS and 916 deaths had been reported in 29 countries from November 2002 to August 2003. A recurrent outbreak could potentially disrupt the Group's operations if any employees or customers in the Group's stores are suspected to have contracted SARS, and the store is identified as a possible source of spreading the SARS infection. The Group may be required to quarantine the employees that have been suspected of becoming infected, as well as any others that had come into contact with them. The Group may also be required to disinfect the affected store and therefore suffer a temporary suspension of its retail operations. Any quarantine or suspension of its retail operations at any stores will affect the Group's overall operations and results of operations. Furthermore, such an outbreak would likely restrict the level of economic activity in affected areas, which would also adversely affect the Group's business and results of operations.

The Group experienced a negative change in cash flow during the SARS outbreak of 2003, and in the event of a future outbreak, the Group's cash flow may again be adversely affected.

The Group's cash flow from the operations in the six months ended 31 August 2003 was affected by lower consumer traffic in public places, such as retail areas, due to the SARS outbreak. Accordingly, for the six months ended 31 August 2003 the Group had a negative cash flow from operations of HK$11.3 million compared to a positive cash flow from operations of HK$22.8 million during the six months ended 31 August 2004. Should any of the markets served by the Group experience a new outbreak of SARS or another contagious disease in the future, consumer traffic in public places may again be negatively affected and the Group's cash flow could suffer as a result.

The Group may adjust its capital expenditures

The Group may adjust the amount of its capital expenditures upward or downward based on cash flow from operations, the progress of expansion, and market conditions. There can be no assurances that it will be able to raise additional capital should it become necessary on terms acceptable to the Group or at all.

RISKS RELATING TO THE INDUSTRY

The Group's business is highly competitive, and competitive factors may reduce its revenues and profit margins.

The Hong Kong fashion apparel market is highly competitive with international department stores, specialty apparel retailers and discount stores offering a broad range of apparel products similar to the products that the Group sells. The Directors believe that the primary competitive factors in the fashion apparel retail industry in Hong Kong include: (i) name recognition and status of the retail store, (ii) status and variety of the international brands stocked, (iii) the retail price at which apparel is sold, and (iv) the quality of the shopping experience, including store ambience and the degree of relevant fashion knowledge of the sales staff. As the Group has many different types of stores in its retail network, each of which targets different market segments, its primary competitors in Hong Kong vary by such segments. The Directors believe that certain of its competitors in Hong Kong have a competitive advantage over the Group because they are larger than the Group and therefore, are better known internationally and have more buying power. In addition, the Group's competitors may identify or create new fashion trends more successfully than the Group. The Group may not be able to compete successfully with competitors in the future and could lose the right to distribute apparel from certain international brands or its brand recognition may suffer and market share fall. A significant loss of market share would adversely affect revenues and results of operations.

The Group is dependent on third parties for the manufacture of apparel for their in-house and licensed brands.

In the year ended 29 February 2004, approximately 43.3% of the Group's turnover was derived from sales of apparel from in-house brands and 8.5% was derived from sales of apparel from licensed brands. The Group does not own or operate any manufacturing facilities and is therefore entirely dependent on third parties for the manufacture of products for the in-house and licensed brands that the Group sells. The Group does not have any long-term contracts with such third-parties. Without adequate supplies of apparel from in-house and/or licensed brands to sell to customers in the styles and fashions demanded by the Group's customer base, the Group's annual turnover may decrease materially and its business may be harmed. As at the Latest Practicable Date, the Group used approximately 50 PRC-based garment manufacturers for its in-house and licensed brands. In the event that these PRC-based manufacturers are unable or unwilling to continue to manufacture such products, the Group would have to identify new garment manufacturers. The Group may not be able to identify such garment manufacturers for existing or new products in a timely manner and such manufacturers may not allocate sufficient capacity to the Group in order to meet its requirements. If the Group were unable to secure adequate and timely supplies of in-house and licensed brand apparel, its sales and gross margin rates, and ultimately the Group's results of operations may be harmed.

In addition, even if current manufacturers continue to manufacture the Group's products, they may not maintain adequate controls with respect to product specifications and quality and may not continue to produce products that are consistent with the Group's standards. If the Group is forced to rely on products of inferior quality, then brand recognition of the Group's in-house and licensed brands and customer satisfaction would likely suffer. These manufacturers may also increase the cost of the products the Group purchases from them. If garment manufacturers increase costs, the Group's margins may be adversely affected.

Should the Group experience significant unanticipated demand, the Group will be required to significantly expand its access to manufacturing, both from current and new manufacturing sources. If such additional manufacturing capacity is not available on terms as favourable as those obtained from current sources, then the Group's financial results may be harmed.

Trade matters may disrupt the Group's supply chain.

The Group cannot predict whether any of the countries in which its merchandise currently is manufactured or may be manufactured in the future will be subject to additional trade restrictions, including the likelihood, type or effect of any such restrictions. Recently, the PRC Ministry of Commerce announced that it would impose tariffs on some textile exports. The Ministry of Commerce did not specify the level of such tariffs or what textiles would be taxed, but 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 increase the cost or reduce the supply of apparel from international brands available to the Group and adversely affect its business, financial condition and results of operations. Sourcing of apparel from international brands may be adversely affected by quota (or the elimination of quota) or political and financial instability resulting in the disruption of trade from exporting countries, significant fluctuation in the value of the Hong Kong dollar against foreign currencies, restrictions on the transfer of funds and/or other trade disruptions.

Reduced import duties may increase competition.

The relaxation of import duties in the PRC on apparel from international brands in connection with the PRC's entry into the WTO will allow foreign competitors to enter the PRC and increase competition. If the Group is unable to respond to such competition, its business may be harmed.

The Group relies heavily on skilled sales personnel at its retail stores in Hong Kong, and failure to continue to attract and retain such personnel in Hong Kong may harm the Group's growth strategy, as well as its business there.

The Group's success depends to a significant extent on its ability to attract and retain skilled sales personnel at its retail stores in Hong Kong, in part because qualified sales staff are integral to the high standard shopping experience that the Group intends to deliver to customers in its stores. As the Group's retail network in Hong Kong has grown over the last few years and as the economy in Hong Kong has improved, it has become increasingly difficult to attract and retain sales staff in Hong Kong. There is intense competition for qualified personnel, and from time to time the Group has experienced difficulty in locating candidates with appropriate qualifications. Without sufficient numbers of sales personnel to staff its retail stores in Hong Kong, the Group will be hindered in pursuing its expansion strategy and its business may be harmed.

Changes in tax laws in Hong Kong may reduce the demand for or profitability of the Group's products, which may harm its business.

Members of the Hong Kong government have proposed that Hong Kong adopt a tax on goods and services sold in Hong Kong. The imposition of a sales tax on products sold in Hong Kong could increase the price or reduce the profitability of the Group's products, as well as place additional administrative burdens on the employees in the Group's stores. The impact of such a tax cannot be quantified until more concrete proposals are suggested, but the imposition of such a tax could materially affect the Group's business.

The Group's business is seasonal.

Like many apparel retailers, the Group experiences seasonal fluctuations in its turnover and operating income and generally records higher turnover from September through February than from March through August. This is due to the impact of increased sales at Christmas and Chinese new year in Hong Kong, as well as to the fact that winter apparel is traditionally more expensive than summer apparel. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of the Group's performance. Any seasonal fluctuations reported in the future may not match the expectations of investors. This could cause the trading price of the Shares to fluctuate.

Since the Group operates largely on a seasonal cycle, if the Group is unsuccessful in selecting the right product mix for a particular season, sales for that entire season could be significantly affected. In addition, any consequent reputational damage could have a negative impact on the Group's sales in future seasons.

Unpredictable weather patterns may reduce the demand for or profitability of the Group's lines of apparel.

The apparel industry is affected by changes in weather patterns. Customers purchase lighter clothing during periods of warmer weather and heavier clothing during periods of colder weather. However, if weather is different than anticipated, the Group may not have on hand sufficient cold or warm-weather clothing to meet customer demands. As such, any unpredicted or unusual change in weather patterns could adversely affect the Group's turnover. In the event of a severe change in weather patterns, the Group's business could be materially affected.

RISKS RELATING TO THE PRC

The Group's raw materials suppliers and garment manufacturers are subject to government regulation, and changes in these regulations or incentives may adversely affect the Group's business and operating results.

The PRC government has implemented policies from time to time to regulate economic expansion in the PRC. The economy of the PRC has been transitioning from a planned economy to a market-oriented economy. A substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. New regulations or the readjustment of previously implemented regulations could require the Group's garment manufacturers to change business plans, increase costs or limit their ability to sell products and conduct activities in the PRC, which could adversely affect the Group's business and operating results.

The Renminbi is subject to revaluation.

The value of the Renminbi is subject to changes in PRC governmental policies and to international economic and political developments. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. The Renminbi to US dollar exchange rate experienced significant volatility prior to 1994, including periods of sharp devaluation, and the PRC government remains under international pressure to allow this rate to float. The exchange rate may become volatile and the Renminbi may be revalued again against the US dollar or other currencies, or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation in the value of the Renminbi against the US dollar, any of which could have an adverse affect on the Group's business and operating results.

Volatility in Asian financial markets may affect the Group's business.

In the past, financial markets in many Asian countries have experienced severe volatility and, as a result, some Asian currencies have experienced significant devaluation from time to time. The devaluation of some Asian currencies may have the effect of rendering exports there from the PRC more expensive and less competitive and therefore place pressure on the PRC government to devalue the Renminbi. An appreciation in the value of the Renminbi could have a similar effect. Any devaluation of the Renminbi could result in an increase in volatility of Asian currencies and capital markets. Future volatility of Asian financial markets could have an adverse impact on the Group's ability to expand product sales into Asian markets outside of the PRC.

The Renminbi is not freely convertible.

The Group receives a portion of sales (and other revenue) in Renminbi, which is currently not a freely convertible currency. For the year ended 29 February 2004, approximately 1% of sales were denominated in Renminbi. While the Group has used these proceeds for the payment of Renminbi expenses, it may in the future need to convert these sales into foreign currencies to purchase imported apparel from international brands, particularly as the Group expects the proportion of its total sales derived from PRC-based operations to increase in the future. Under the PRC's existing foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade may be made in foreign currencies without government approval, except for certain procedural requirements. The PRC government may, however, at its discretion, restrict access in the future to foreign currencies for current account transactions and prohibit the Group from converting Renminbi sales into foreign currencies. If this were to occur, the Group might not be able to meet its foreign currency payment obligations.

GSIT's subsidiaries may be penalised for having operated beyond the scope of their business licenses in the PRC in the past.

Kenchart Trading, a PRC subsidiary of GSIT, is permitted to trade with PRC domestic enterprises with import and export trading licenses and PRC domestic enterprises inside the Shanghai Wai Gao Qiao Free Trade Zone. Kenchart Trading conducts the import of international brands and is GSIT's wholesale centre for importing apparel into the PRC. Kenchart Trading formerly conducted domestic trading business outside the 上海外高橋保稅區

(Shanghai Wai Gao Qiao Free Trade Zone) from its incorporation in April 2003 up to January 2005. GSIT (Huizhou), another PRC subsidiary of GSIT, is a foreign investment enterprise permitted to sell only products that it manufactures itself including, based on advice from the Group's PRC legal counsel, products manufactured by way of consignment processing. From its incorporation in March 2004 up to January 2005, GSIT (Huizhou) traded in apparel products not manufactured by it or on its behalf by way of consignment processing. In January 2005, GSIT reorganised its PRC operations to ensure that both Kenchart Trading and GSIT (Huizhou) operate within the scope of their respective business licenses.

According to the Group's PRC legal counsel, these two PRC subsidiaries of GSIT may be deemed to have conducted business beyond the scope of their respective business licenses in the past and they have advised that each PRC subsidiary may be subject to a fine ranging from RMB10,000 (approximately HK$9,400) to RMB100,000 (approximately HK$94,000) imposed by the relevant registration authority. In serious cases their business licenses may be revoked. If the business licenses of both of these two PRC subsidiaries of GSIT are revoked, the Group's business interests in the PRC may be harmed and its expansion plans there may be curtailed.

The PRC's legal system embodies uncertainties that may adversely affect the Group's business and operating results.

Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. Despite this activity to develop the legal system, the PRC's system of laws is not yet complete. Even where adequate law exists in the PRC, enforcement of existing laws or contracts based on existing law may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The relative inexperience of the PRC's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

The Group's activities in the PRC are subject to administrative review and approval by various national and local agencies of the PRC government. Because of the changes occurring in the PRC's legal and regulatory structure, the Group may not be able to secure the requisite governmental approval for its activities. Failure to obtain the requisite governmental approval for any activities could adversely affect the Group's business and operating results.

The Group relies heavily on its management personnel, and failure to attract and retain such personnel in the PRC may harm the Group's operations and prospects there.

The Group's success depends to a significant extent on its ability to attract and retain skilled sales, marketing, operations and finance personnel. In particular, the Group needs a large number of capable personnel to fill middle management positions, and in the future will need to fill more such positions in the PRC. Without sufficient numbers of such employees available to staff its PRC operations, the Group will be hindered in pursuing its expansion strategy. There is intense competition for qualified personnel, and from time to time the Group has experienced difficulty in locating candidates with appropriate qualifications. The Group expects to experience difficulties staffing its planned PRC operations due to a likely shortage of highly skilled employees in the PRC.

RISKS RELATING TO OWNERSHIP OF SHARES AND TRADING MARKETS

Although the Group paid dividends to shareholders each year over the Track Record Period and for the year ending 28 February 2005, there can be no assurance that dividends of similar amounts or at similar rates will be paid in the future.

The Group declared dividends of HK$20 million in each of the three years ended 29 February 2004, representing approximately 45.6%, 41.7% and 18.9% of its profit attributable to shareholders in each of those respective years.

In addition, on 4 February 2005, the Group declared a further dividend of HK$190 million for the year ending 28 February 2005. This dividend was distributed on 17 February 2005, and therefore will not be paid to new investors participating in the Offering. Assuming the bank loan of HK$100 million had been drawn down as at 31 August 2004 (being the date of the most recent audited financial statements) for the payment of a HK$190 million dividend, and that the dividend was assigned by the shareholders of the holding companies to offset the Group's receivables from directors, related companies and related parties of HK$98,187 thousand, the Group's net tangible assets (being total tangible assets less total tangible liabilities) would have decreased from HK$224,448 thousand to HK$34,448 thousand. Approximately HK$122 million of such dividend was funded on 17 February 2005 by way of a set-off against advances due from the Shams' private interests (as defined and described in the section headed "Business — Legal and Regulatory"), and approximately HK$68 million of such dividend was funded through a bank loan drawn down on 17 February 2005.

All dividends declared in the Track Record Period have been settled. The dividends declared during the Track Record Period did not result in any direct cash outflow as such dividends actually consisted of offsetting amounts already due by the related companies and Directors to the Group. Please refer to the section headed "Financial information — Dividend and distributable reserves" in this prospectus for a discussion of the Group's dividend policy.

There is no assurance that dividends of similar amounts or at similar rates will be paid in the future. Past dividends should not be used as a reference for the Company's dividend policy nor used as a basis to forecast dividends payable in the future.

Future sales of securities by the Company or its shareholders may decrease the value of an investment.

Before the Offering, there has not been a public market for the Shares. Future sales by the Company or its existing shareholders of substantial amounts of Shares after the Offering could adversely affect market prices prevailing from time to time. Only a limited number of the Shares currently outstanding will be available for sale immediately after the Offering due to contractual and legal restrictions on resale. Nevertheless, after these restrictions lapse or if these restrictions are waived or breached, future sales of substantial amounts of Shares, including Shares issued upon exercise of outstanding options and warrants, or the possibility of such sales, could negatively impact the market price of the Shares and the Group's ability to raise equity capital in the future.

There has been no prior market for the Shares and the Offering may not result in an active or liquid market for these securities, which may adversely affect the market price of the Shares.

Prior to this Offering, there has not been a public market for the Shares. After the Offering, an active public market may not develop or be sustained. If an active market for the Shares does not develop after the Offering, the market price and liquidity of the Shares may be adversely affected.

The initial public offering price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile.

The initial public offering price for the Shares has been determined by negotiations between the Company and representatives of the Underwriters and may not be indicative of prices that will prevail in the trading market. Investors may not be able to resell their Shares at or above the initial public offering price. The financial markets in Hong Kong have experienced significant price and volume fluctuations, and market prices of technology companies have been and continue to be extremely volatile. Volatility in the price of the Shares may be caused by factors outside the Group's control and may be unrelated or disproportionate to the Group's operating results.

There are risks associated with forward-looking statements.

This prospectus contains certain statements that are forward-looking, often indicated by the use of words such as "anticipate", "believe", "could", "expect", "estimate", "may", "ought to", "should", "will" or similar terms. These forward-looking statements address, among other topics, the Group's growth strategy and its expectations concerning its future operations, liquidity and capital resources. Prospective investors are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, any or all of the assumptions or judgments on which such statements are based could prove to be incorrect and as a result, the forward-looking statements could also be incorrect. In light of these and other uncertainties, the forward-looking statements in this prospectus should not be regarded as representations by the Group that its plans, expectations or objectives will be achieved, and investors should not place undue reliance on such statements.

Certain facts and statistics contained in this prospectus have come from various official sources the reliability of which cannot be assumed or assured.

Facts and statistics on pages 50, 51, 52, 53, 54, 55 and 56 in this prospectus, have been derived or extracted from various official sources. The Group's PRC legal counsel also confirm that the statements on PRC law made on page 57 were derived from official sources. Whilst our Directors believe that such information derived from various official sources may be useful to prospective investors and that they have taken reasonable care to ensure that this information has been accurately reproduced from such sources, such information has not been independently verified and may be inaccurate, incomplete or out-of-date. The Group makes no representation as to the accuracy or completeness of any such information from various official sources, and investors should not place undue reliance on it.