Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, the following risks in connection with an investment in our Company. Our business, operating results and financial condition could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR GROUP

Failure to promote or maintain the *Flyke* brand could materially and adversely affect our profitability

During the three years ended 31 December 2008, our sales of sports shoes, sportswear and sports accessories with the *Flyke* brand represented approximately 3.1%, 19.3% and 51.5%, respectively, of our aggregate turnover. During the nine months ended 30 September 2009, our sales of the *Flyke* products represented approximately 59.9% of our aggregate turnover. The *Flyke* brand is therefore important to our operating results. Our Directors believe that brand recognition is important for consumers in making purchase decisions for sports shoes, sportswear and sports accessories. We target primarily youth market in second- and third-tier cities in China. We spent approximately RMB2.6 million, RMB1.8 million, RMB9.9 million and RMB7.7 million during three years ended 31 December 2008 and the nine months ended 30 September 2009, respectively, on advertising and marketing activities to promote the *Flyke* brand. During the year ended 31 December 2006, our advertising and marketing expenses represented approximately 70.3% of our sales of the *Flyke* products. During the two years ended 31 December 2008, our advertising and marketing expenses represented approximately 5.7% and 4.6%, respectively, of the sales of the *Flyke* products. The percentage was reduced to approximately 2.3% for the nine months ended 30 September 2009. If we are not able to continue to promote the *Flyke* brand or fail to strengthen the brand's market position, our business, operating results and financial condition could be adversely affected.

We operate in a highly competitive industry

The sports shoes and sportswear industry in China is highly competitive. We compete with leading domestic brands in terms of brand image, product design and quality, pricing and distribution network. Competition may increase for some or all of our products from new brands or the existing brands. Our competitors may have and are able to devote greater resources to the development of their businesses than us. In addition, our competitors may be able to react more quickly to changing market conditions and customer requirements than us. We cannot assure you that we will be able to continue to compete successfully. In such event, we may suffer a material adverse effect on our business, operating results and financial condition.

The prices at which our authorised distributors are willing to pay for our products are depending on the retail prices which are in turn affected by various factors, including our competitors' pricing strategies, consumers' purchasing power and the general economic conditions in China. Most of these factors are outside our control. We cannot assure you that we are able to maintain the selling prices of our products at desirable levels with the same or even higher profit margins. The market value of the *Flyke* brand could be eroded and the public perception of the brand may deteriorate if we are unable to maintain our selling prices.

In addition, following China's accession to the World Trade Organisation, there may be further changes to the landscape of the sports shoes and sportswear industry in China with the penetration of international brands and foreign enterprises into China. The continuous economic development of China may also affect the position of the domestic brands *vis-a-vis* the international brands of sports shoes, sportswear and sports accessories. All of these developments may not be accurately predicted by us, but could have profound impact on our business, operating results and financial condition.

We will invest a significant portion of the net proceeds from the Global Offering in sportswear manufacturing in which we do not have prior experience

We currently outsource the production of all the *Flyke* sportswear and sports accessories to our contract manufacturers. We plan to establish our first *Flyke* sportswear production facilities towards the end of 2011 by using approximately HK$80.0 million, i.e. approximately 19.3%, of the total amount of the net proceeds from the Global Offering. As we do not have any prior experience in manufacturing sportswear, this new business may divert the time and attention of our management from other business activities. We may have difficulties integrating the sportswear production facilities into our workflow and work force. We may also encounter difficulties in recruiting qualified and experienced personnel or training our existing staff members to operate and manage the sportswear production facilities. In any of these events, our operations and business results may be adversely affected, and the significant proportion of the net proceeds from the Global Offering invested in establishing such sportswear production facilities may not bring in the anticipated benefits to us.

We have a limited history in the branded sports shoes and sportswear industry in China

The *Flyke* brand was launched in April 2004 and thus has a limited history as compared with other international brands and domestic brands in China. The *Flyke* brand is not well perceived by the youth in first-tier cities in China. Hence, if we intend to expand our market to first-tier cities in China, we need to strengthen our brand promotion efforts. Before the launch of the *Flyke* brand, our turnover was primarily derived from our Export ODM Business. Investors should consider our business and prospects in light of the risks and difficulties we may encounter with a relatively limited operating history in branded sport shoes, sportswear and sports accessories in China and should not rely on our past results as an indication of our future performance.

In addition, we may face challenges in planning our growth strategy and forecasting the market demand accurately as a result of our short history. If we are unable to successfully address these risks, our business, operating results and financial condition could be adversely affected.

Our sales are subject to seasonality

The demand for sports shoes, sportswear and sports accessories are affected by seasonal factors and consumers' consumption pattern and hence, our sales are subject to seasonal fluctuations. The peak seasons for us are during the periods between March and May and between September and October for the production and shipment of our products for the fall/winter and spring/summer collections, respectively. For the *Flyke* brand, we may need to incur a substantial amount on advertising and marketing before the launch of new products, and these may also affect our periodic operating results. In light of these factors (most of which are outside our control), our operating results and financial condition may fluctuate from period to period.

We are dependent on our authorised distributors

Other than our Export ODM Business, most of our customers during the two years ended 31 December 2008 were our distributors. Since the beginning of 2009, we streamlined the distribution network of the *Flyke* products, and we no longer sell directly to any specialty stores or concession counters other than our image store in Shuitou, Fujian Province, China. Hence, from the beginning of 2009, all of our customers of the *Flyke* products are our authorised distributors. During the nine months ended 30 September 2009, four out of our five largest customers were our authorised distributors and these authorised distributors contributed approximately 39.8% of our turnover from the sales of the *Flyke* products. As of the Latest Practicable Date, we had appointed 19 authorised distributors for the *Flyke* brand of sports shoes, sportswear and sports accessories.

We cannot assure you that our authorised distributors will continue to purchase our products at the current levels of demand. In the event that these major customers cease or reduce significantly their demand and purchase of our products and we are unable to replace such orders, our business and operating results could be adversely affected.

We are exposed to the credit risk of our authorised distributors

Pursuant to the Exclusive Distribution Agreements, we offer to our authorised distributors credit terms of no more than 60 days. As of 30 September 2009, our trade receivables due from our authorised distributors amounted to approximately RMB110.5 million, representing approximately 28.7% of our total assets. During the three years ended 31 December 2008 and the nine months ended 30 September 2009, we did not encounter any significant bad debts and hence, we did not make any general provision for bad and doubtful debts.

We cannot assure you that we will not encounter bad and doubtful debts in the future. Should we experience any unexpected delay or difficulty in collection from our authorised distributors, our business, operating results and financial condition could be adversely affected.

We rely on our authorised distributors and the authorised retail stores over which we have limited control

We rely on our authorised distributors and the authorised retail stores for the sales of the *Flyke* products. Our future success depends on the increase in the number of our authorised distributors and their ability to distribute our products and to manage the authorised retail stores. As each of our authorised distributors has exclusive distribution rights over a geographic area, the failure by such authorised distributor to perform its obligations under the relevant Exclusive Distribution Agreement may result in a material adverse effect on the business of all the authorised retailers in such area. If any authorised distributor terminates or does not renew its business relationship with us, we may not be able to identify a suitable replacement in a timely manner, or the replacement authorised distributor(s) may not be able to distribute our products and to manage the authorised retail stores as effectively as the previous authorised distributor.

We rely on our authorised distributors to manage the authorised retail stores with whom we do not have a direct contractual relationship. Thus, our ability to ensure strict adherence to our policies, such as operational requirements, exclusivity, customer service, store layout, image and pricing, is relatively limited and is depending on our authorised distributors. During the Track Record Period, we did not experience any major dispute or non-adherence to our policy by our authorised distributors and authorised retail stores. We did not incur any loss thereon. The failure of any authorised exclusive retail store to comply with our policies including unauthorised discounting of the retail prices of our products and the failure of our authorised distributors' to monitor and ensure compliance with our policies could lead to erosion of the *Flyke* brand and an unfavourable public perception of the quality of our products, thereby resulting in a material adverse impact on our business, operating results and financial condition.

Any poor or inappropriate service provided by any of our authorised distributors or the authorised retail stores may affect our performance

The sales of the *Flyke* sports shoes, sportswear and sports accessories depend to a large extent on our authorised distributors and the authorised retail stores. As of the Latest Practicable Date, there were 1,169 authorised retail stores in China. We cannot assure you that our measures over our authorised distributors will be adequate to maintain the brand image of the *Flyke* brand and to avoid the *Flyke* brand to be associated with poor or inappropriate service or other negative publicity. Any such incident arising out of low quality or inappropriate service and the poor management of the authorised retail stores by the authorised distributors or Independent Third Parties could adversely affect the brand name and reputation. These could have a material adverse impact on our business, operating results and financial condition.

We may not be able to accurately track the sales and the inventory levels of our distributors and the authorised retail stores, and we cannot determine the proportion of products sold to end consumers

Our ability to track the sales by our authorised distributors to the authorised retail stores and the retail sales by the authorised retail stores to the consumers, and consequently their respective inventory levels, is limited. Pursuant to the Exclusive Distribution Agreements, we require our authorised distributors to provide us with quarterly sales analysis reports which include information on the products sold and the average selling prices. We also require our authorised distributors to provide us on a timely basis with information on the authorised retail stores. Our sales and management staff also from time to time conduct spot-checks on our authorised distributors and the authorised retail stores. By tracking the sales levels of our authorised distributors and conducting regular inspections on the authorised retail stores, we are able to gather data regarding the market acceptance of our products so that we can adjust the design and development of our products to reflect the latest consumers' preferences in China. It also provides us with other useful information, such as market recognition of our products in a particular region, so that we can adjust our marketing strategy accordingly. However, the implementation of this reporting system requires the cooperation of our authorised distributors to accurately record and submit the relevant data to us and the commitment of the authorised retail stores to accurately record and submit the relevant data to our authorised distributors in a timely manner, and we may not be able to ensure the accuracy and timeliness of such data. In addition, we may not be able to accurately track the sales and the inventory levels at our authorised distributors and/or the authorised retail stores or to identify or prevent any excessive inventory build-up at the authorised retail stores. Any excessive build-up of inventory could affect the amount of future orders and thus have a material adverse impact on our business.

As we have limited control over the sales of our products by our authorised distributors and we have limited information about the sales and inventory levels at the authorised retail stores, we cannot determine the proportion of our products sold to our consumers. We cannot assure you that our sales to our authorised distributors correlate directly to the sales of our products to our consumers.

Our authorised distributors and the authorised retail stores may not be able to sell the *Flyke* products at the anticipated levels

We rely on the reporting mechanism imposed on our authorised distributors to track the sales and inventory levels of our authorised distributors and the authorised retail stores. The performance of our authorised distributors and the authorised retail stores is subject to a number of factors outside our control. Their sales may be fluctuating, and the number of the authorised retail stores may change from time to time. We rely on our authorised distributors to inform us the market feedback and the levels of sales of the *Flyke* products. This process may involve our authorised distributors' judgment and assessment of the market response and the latest trends. The growth in our sales to our authorised distributors may not commensurate with the growth in the sales of our products by our authorised distributors and the authorised retail stores to the consumers. There may be inventory build-up at the authorised retail stores, or our authorised distributors and the authorised retail stores may not be able to sell our products at the anticipated levels. If this occurs, our business, operating results and financial condition could be adversely affected.

Our sales depend on our ability to anticipate and respond in a timely manner to changes in consumers' tastes in China

The *Flyke* products and our Export ODM Business are closely linked with fashion and trends. Our Directors believe that a substantial portion of our sales depends on the consumers' perception that our products are fashionable and trendy. Thus, our future success depends heavily on our ability to respond to the changes in consumers' preferences for fashion and trends, which requires continuous market research and analysis and responsiveness to the ever-changing sportswear market and fashion trends. Our failure to anticipate accurately and respond in a timely manner to changes in fashion and trends could result in lower sales volumes and lower selling prices, which could in turn adversely affect our business, operating results and financial condition.

We may fail to implement our growth strategies or maintain our growth rate

Our growth, including the expansion of our distribution network, will impose significant responsibilities on our management, including the need to identify, recruit, train and integrate additional employees and oversee and manage the expansion of our production facilities, our Export ODM Business and the distribution network of the *Flyke* products. In addition, rapid and significant growth may place a strain on our administrative and operational infrastructure. As our business operations expand, we expect that additional resources will be required to manage the business relationship with our authorised distributors as well as other third parties, including our contract manufacturers for the production of sportswear and sports accessories and some of our sports shoes under our Export ODM Business, raw material suppliers, equipment providers, consultants and others. Our ability to manage our operations and growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. If we are unable to effectively manage our growth, including the rapid expansion of the distribution network, it may be difficult for us to implement our growth strategy and a decrease in the market demand for our products and the corresponding drop in the sales of our products could result in an accumulation of inventory at the distribution network and may materially and adversely affect our business, operating results and financial condition. In addition, we may fail to implement our growth strategies due to such other factors as inability to obtain adequate funding and regulatory requirements and limitations, including but not limited to obtaining the approval for the establishment of stores from the Ministry of Commerce and its provincial departments, many of which are beyond our control.

We are dependent on contract manufacturers for the production of sportswear and sports accessories and some of our sports shoes under our Export ODM Business

All the *Flyke* sportswear and sports accessories are produced by our contract manufacturers. As of 30 September 2009, we engaged six contract manufacturers, who are Independent Third Parties, for the production of the *Flyke* sportswear and sports accessories. In addition, it is our strategy to outsource the production of some of our sports shoes under our

Export ODM Business to contract manufacturers during peak seasons. We did not outsource the production of our sports shoes to our contract manufacturers during the two years ended 31 December 2007. During the year ended 31 December 2008 and the nine months ended 30 September 2009, we outsourced the production of some of the sports shoes to two contract manufacturers. We incurred outsourcing fees of approximately RMB38.5 million and RMB165.7 million, respectively, for the production of our sports shoes, sportswears and sports accessories during the year ended 31 December 2008 and the nine months ended 30 September 2009.

Our outsourcing arrangements are expected to continue following the Listing. Our existing contract manufacturers may not have enough production capacity, and we may not be able to find additional or replacement contract manufacturers to produce our products on the same or similar terms and standards as those with our existing contract manufacturers.

We cannot assure you that the existing contract manufacturers will not reject all or part of our purchase orders. Some of our contract manufacturers also produce products for our competitors, and they may not be able to meet our requirements on production timetable. Difficulties or delays in the production activities could result in delay or failure in the delivery of products to us or the production of poor quality products. If such events occur, our business, operating results and financial condition could be adversely affected.

Unexpected disruption to our production facilities may have a material adverse impact

Our production activities are mainly conducted at our production plant situated at Jinjiang City, Fujian Province, China. If disastrous incidents beyond our control occur at our production plant, including but not limited to public disorder, fire, power supply failure, earthquakes, typhoon, flood or otherwise, it could result in a temporary disruption to our production activities. In addition, if either Fujian Province or its surrounding area suffers persistently unfavourable weather conditions, our production may come to a halt as a result of serious interruption to the transportation network and suspension of water and electricity supplies. In the event of such incidents happening, our business, operating results and financial condition could be adversely affected.

Historical performance should not be used as an indicator for our future performance

Our Directors believe that we have enjoyed growth in our business in recent years due to our improved product design and development, expansion of our range of product offerings and expansion of the number of the authorised retail stores. Increasing demand for sports shoes and sportswear products and improving economic conditions in China also contributed to our growth. We may fail to maintain the expansion rate of our sales at historical levels. We may also fail to sustain our brand recognition and a positive public perception of our brand or we may fail to continue to increase the number of the authorised retail stores. Our profit margin could be materially and adversely affected if, amongst others, our cost increases as a result of increases in labour cost, manufacturing cost, cost on raw materials or transportation cost. Our profit margin could also be materially and adversely affected if we need to provide more favourable terms to our authorised distributors in light of the fierce competition or if we need to incur substantial amount on brand promotion or advertisement.

In addition, to facilitate a better allocation of our management resources and in anticipation of the continuing expansion of our business, we streamlined our distribution arrangement from the beginning of 2009. In this connection, we ceased selling the *Flyke* products directly to the specialty stores, concession counters and distributors. We appointed our authorised distributors and entered into the Exclusive Distribution Agreement with each of them. As such operation model was only implemented at the beginning of 2009, our historical performance, in particulars, our historical performance for the three years ended 31 December 2008, may not be an indicator for our future performance.

We rely on our suppliers for our principal raw materials

The principal raw materials used in the production of our sports shoes are leather, fabric and chemical products. We source these materials from Independent Third Parties, a majority of whom are located in Fujian Province, China. During the three years ended 31 December 2008 and the nine months ended 30 September 2009, the average purchase prices for these principal raw materials were as follows:—

	For the year ended 31 December			For the nine months ended 30 September
Raw materials	**2006**	**2007**	**2008**	**2009**
	RMB	*RMB*	*RMB*	*RMB*
Leather (per yard)	29.8	27.7	28.6	29.2
Fabrics (per sq. m.)	15.3	15.9	16.2	18.0
Other chemical products (per kilogram)	20.8	22.4	34.4	32.2

During the three years ended 31 December 2008 and the nine months ended 30 September 2009, we did not experience any material price fluctuation for our principal raw materials save for those raw materials under other chemical products. This was due to the significant price fluctuations of petroleum during the two years ended 31 December 2008.

During the three years ended 31 December 2008 and the nine months ended 30 September 2009, our five largest suppliers accounted for approximately 42.7%, 33.4%, 21.8% and 33.4%, respectively, of the cost of raw materials, and our largest supplier accounted for approximately 18.8%, 9.8%, 5.3% and 8.7%, respectively, of the cost of raw materials. We do not enter into long-term agreements with our suppliers and generally procure the raw materials that we require after receiving confirmed sales orders by issuing purchase orders to the suppliers which set forth detailed terms on the price, purchase quantity, delivery terms and settlement terms, amongst others. If our suppliers do not continue to supply us with the raw materials we need to produce our products at favourable or similar prices or at all, our production could be affected, and our business, operating results and financial condition could be adversely affected.

In addition, the prices of our principal raw materials are subject to fluctuations and may be dependent on the domestic and international prices of commodities, which are beyond our control. We have not implemented any arrangement to mitigate the risk on raw material costs. If we are not able to effectively control our production costs or we are not able to transfer the increased costs to our consumers, because of intense competition or other reasons, our business, operating results and financial condition could be adversely affected.

We face possible infringement of our trademarks and counterfeiting of the *Flyke* brand sports shoes, sportswear and sports accessories

Our Directors believe that our trademarks are important to our success and competitive position. Hence, we have registered or sought to register trademarks which are used for the branding, marketing and sale of our products. Further information on our trademarks is set forth in the section headed "Business — Intellectual property rights" in this prospectus and "Further Information About the Business of our Group — 2. Intellectual property" in Appendix VI to this prospectus.

Our Directors believe that the quality of our products is critical to our success. Our efforts to sell quality products may be undermined by the sale of counterfeit goods by unauthorised parties. The likelihood of counterfeiting of our products may increase if our products become more popular, and could adversely affect our reputation, operating results and financial condition.

We previously discovered some counterfeit products bearing the *Flyke* brand and have reported the incidents to the relevant PRC Government authorities for their further investigation, in accordance with the applicable procedures. Other than these incidents, we are not aware of any material violations or infringements of our trademarks during the Track Record Period and as of the Latest Practicable Date. Nevertheless, we cannot assure you that all measures taken by us will be sufficient to prevent brand infringement, product imitation and counterfeit by others. Such events could adversely affect our reputation, operating results and financial condition.

We may inadvertently infringe third-party intellectual property rights

We are not aware of any material violations or infringements of trademarks and intellectual property rights of others by us as of the Latest Practicable Date. Nevertheless, we cannot assure you that as we develop new shoe designs, logos and methods in which to market our products, we would not inadvertently infringe the intellectual property rights of others or others would not assert infringement claims against us or claim that we have infringed their intellectual property rights. Such claims against us, even if untrue or baseless, could result in significant legal and other costs and may be a distraction to our management. Adverse determinations in such litigation could result in our loss of proprietary rights and/or subject us to significant liabilities. Our financial condition and operating results will be adversely affected as a result.

Our patent applications in China are still pending and may not be approved

We have submitted to the relevant PRC Government authority various applications for patent registrations. Further information on these applications is set forth in the section headed "Further Information About the Business of our Group — 2. Intellectual property" in Appendix VI to this prospectus. Our PRC Legal Advisers confirm that, as of 30 September 2009, no objection was received from the relevant PRC Government authority or from any third parties in respect to such applications. As of the Latest Practicable Date, neither our PRC Legal Advisers nor our Directors are aware of any threatened or pending claims by any third parties against our Company for use of such patents.

Nevertheless, we might not be able to successfully register these patents under application, and the continued use of the patents might infringe upon intellectual property rights of third parties. Should we fail to secure the registration of any of the patents under application or we are held by any court or tribunal to be infringing upon or have infringed upon any patents or intellectual property rights of others, our reputation and brand image could be materially and adversely affected, which could in turn materially and adversely affect our business, financial condition and operating results.

We may be exposed to product liability, property damage or personal injury claims

Our development, production and sales of our sports shoes make us exposed to potential product liability claims and as a result, we may have to expend significant financial and managerial resources to defend against any such claims. Our Directors believe that product liability claim risks will increase as legal concepts in product liability claims begin to develop and mature in China. Consistent with the standard industry practice, we do not maintain any product liability insurance, and we cannot assure you that our business, operating results and financial condition will not be materially and adversely affected by a successful product liability claim against us.

In addition, we do not maintain third-party liability insurance against claims for property damage, personal injury or environmental liabilities. Regardless of the merits of any claim or dispute, we may incur significant costs and expenses throughout the cause of defending against such claim or negotiating for settlement, and we may suffer serious damage to our reputation and be subject to government investigations, in which case we may be fined or sanctioned, which could materially and adversely affect our reputation, business, prospects, operating results and financial condition.

We rely on the Export Services Company

We conduct our Export ODM Business through the Export Services Company and other export services companies. After finishing the production of our sports shoes products, we deliver them to a logistics hub agreed between us and the Export Services Company, or another export services company designated by our overseas buyers, which is then responsible for completing all the export/customs clearance procedures for the delivery of our products to our overseas buyers at the designated ports in China. The Export Services Company or another export services company designated by our overseas buyers will charge us a service fee based on certain percentage of the amount declared on the invoice for the exported sports shoes products. Our overseas buyers will make payment to the Export Services Company or another export services company designated by them directly by payment methods including telegraphic transfer and letters of credit. Upon receipt of our overseas buyers' payment, the Export Services Company or another export services company designated by our overseas buyers will remit the amount, net of the relevant bank service fee, to us. We will pay the Export Services Company and other export services companies their services charges as agreed from time to time between the relevant export services company and us. Although we are eligible to apply for the export business licence, we have not done so as we delegate the export/custom clearing procedures to the Export Services Company and other export services company, and thus it is not necessary for us to have the relevant export business licence. Our Directors believe that the lack of such export business licence does not affect our Export ODM Business.

The Export Services Company had been our largest customer during the Track Record Period. In addition, during the three years ended 31 December 2008 and the nine months ended 30 September 2009, we conducted approximately 66.2%, 87.8%, 83.3% and 95.1%, respectively, of our Export ODM Business through the Export Services Company. Because of the long established relationship with the Export Services Company and its creditability, our reliance on the Export Services Company for our Export ODM Business increased from approximately 66.2% for the year ended 31 December 2006 to approximately 95.1% for the nine months ended 30 September 2009. It is our current practice to engage the Export Services Company for the export of all of our sports shoes, unless there is specific requirement from our overseas buyers to engage another designated export services company. We engage the Export Services Company because it is specialised in handling the export procedures and our Directors believe that it would be more cost-efficient to engage it to handle the export procedures for our sports shoes.

As we rely on the Export Services Company in many aspects and we do not have the relevant export business licence, if the Export Services Company cannot provide any of the required services to us and we are not able to identify any replacement company to work with, our Export ODM Business could be adversely affected. In addition, as payments from our overseas buyers are first made to the Export Services Company, our business, operating results and financial condition could also be adversely affected if the Export Services Company is in default of its obligations (to remit the payments to us) or insolvent or in financial difficulty or commits any fraud. This is particularly the case that we do not request any security payment from the Export Services Company. We may not be able to collect the amount due to us and we will have no recourse for further payment against our overseas buyers. As of 31 December 2006, 2007 and 2008 and 30 September 2009, the amount of trade receivables due from the Export Services Company was approximately RMB27.7 million, RMB33.3 million, RMB67.7 million and RMB72.9 million, respectively, representing approximately 41.2%, 32.1%, 46.4% and 37.6% of the total transaction amount with the Export Services Company during each of the relevant period. If we are unable to identify replacement with comparable terms of business should the Export Services Company be unable to provide us with the required export/customs clearance services, our business, operating results and financial condition could be adversely affected materially.

The profit margin of our Export ODM Business is decreasing

During the three years ended 31 December 2008 and the nine months ended 30 September 2009, our Export ODM Business represented approximately 83.7%, 70.6%, 42.4% and 36.4% of our aggregate turnover, respectively. Although the sales contribution of our Export ODM Business in terms of percentage is decreasing, our Directors consider that our Export ODM Business will continue to be one of our core businesses in the future. The gross profit margin of our Export ODM Business, however, decreased from approximately 33.3% during the year ended 31 December 2006 to approximately 27.4% during the year ended 31 December 2008. During the nine months ended 30 September 2009, the gross profit margin for our Export ODM Business decreased to approximately 22.2%. The decrease in the gross profit, particularly during the year ended 31 December 2008 and the nine months ended 30 September 2009, was primarily due to the financial crisis under which our overseas buyers requested for reduction in the unit prices. Our Directors also decided to accept lower selling prices for the purpose of attracting new overseas buyers which would otherwise source their sports shoes from other factories in the region. Hence, the gross profit margin for our Export ODM Business decreased with the sales increased during the year ended 31 December 2008 and the nine months ended 30 September 2009. If we are not able to maintain a stable gross profit margin or to increase our gross profit margin by increasing the selling prices of our sports shoes under our Export ODM Business, even though our sales increase, our operating results and financial condition could be adversely affected.

Non-compliant construction works and lack of title to certain parcels of land may expose us to different risks

Quanzhou Xingwei, on behalf of Flyke (China), entered into an agreement with the Yangdai Villagers' Committee on 21 March 2007 pursuant to which Flyke (China) has paid a non-refundable amount of approximately RMB16.9 million to the Yangdai Villagers' Committee as the land use compensation for a parcel of land of approximately 18,138 sq. m. located in Yangdai, Chendai Town, Jinjiang City, Fujian Province, China. As of the Latest Practicable Date, one factory building, one dormitory and one administrative building were built by us on the land with an aggregate construction cost of approximately RMB36.5 million.

Pursuant to a confirmation letter signed by the Land Resources Bureau of Jinjiang City (晉江市國土資源局) and Flyke (China) dated 11 February 2010, Flyke (China) succeeded in the public tender of the land and was required to pay a land premium of RMB5.72 million. If we are not able to acquire the land due to failure to pay the land premium, we may be required to relocate our offices. We estimate that the relocation costs will be approximately RMB50,000. We may also incur impairment loss for the buildings built on the land which had a net book vale of approximately RMB30.3 million as of 30 September 2009.

In addition, we commenced the construction of the buildings on this parcel of land prior to obtaining the 《建設用地規劃許可證》(Construction Land Planning Permit*),《建設工程規劃許可證》(Construction Work Planning Permit*) and《施工許可證》(Approval for Commencement of Construction Work*). Our PRC Legal Advisers confirm that in accordance with the applicable laws and regulations in China, namely《中華人民共和國城鄉規劃法》(Urban and Rural Planning Law of the PRC*) and《建設工程施工許可管理辦法》(Measures for Administration of Permit on Commencement of Construction Works*), we should have obtained all three permits before undertaking any construction work on the land. If any construction is commenced in the absence of such approval documents, the relevant PRC Government authority may order suspension of the relevant construction work or impose a penalty of an amount equivalent to 5% to 10% of the cost of the construction work completed. Hence, the likely amount of penalty, if any, would be in the range between RMB2.0 million and RMB4.0 million.

Xinwei (China) owns a parcel of land of 1,513 sq. m. in Yangdai, Chendai Town, Jinjiang City, Fujian Province, China. Currently, a building is built by us on the land and is used for the offices of our Export ODM Business.

We commenced the construction of the building on this parcel of land prior to obtaining the 《建設用地規劃許可證》(Construction Land Planning Permit*),《建設工程規劃許可證》(Construction Work Planning Permit*) and《施工許可證》(Approval for Commencement of Construction Work*). Our PRC Legal Advisers further confirm that in accordance with the applicable laws and regulations in China, namely《中華人民共和國城鄉規劃法》(Urban and Rural Planning Law of the PRC*) and《建設工程施工許可管理辦法》(Measures for Administration of Permit on Commencement of Construction Works*), we should have obtained all three permits before undertaking any construction work on the land. If any construction is commenced in the absence of such approval documents, the relevant PRC Government authority may order suspension of the relevant construction works or impose a penalty of an amount equivalent to 5% to 10% of the cost of the construction work completed. Hence, the likely amount of penalty, if any, would be in the range between RMB0.2 million and RMB0.5 million. We would continue to be subject to this penalty even though we have succeeded in obtaining the land use rights certificate for the land.

Further information on the above is set forth in the section headed "Business — Properties and facilities — PRC legal issues" in this prospectus.

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us in respect of, amongst other things, any payments, suits, settlement payment, cost, liability, claim, fine expense, penalty, loss, damages or expense that may be incurred or suffered by any member of our Group as a result of the above non-compliance.

We cannot assure you that no claims or enforcement actions would not be brought by the relevant authorities in China in the future or that no member of our Group will be required to pay any fine or penalty or damages in the future. Any of these incidents could adversely affect our business, operating results and financial condition.

Any change in our tax treatment may have a material adverse impact on our financial condition and operating results

Pursuant to《中華人民共和國企業所得稅法》(Enterprise Income Tax Law of the PRC) and 《中華人民共和國企業所得稅法實施條例》(The Regulation on the Implementation of the Income Tax Law of the PRC) (collectively, the "**New Tax Law**"), both are effective from 1 January 2008, if our overseas members are deemed to be non-PRC resident enterprises for tax purposes without an office or premises in China, our Shareholders outside China will be subject to a withholding tax rate of 10% for any dividends paid by our subsidiary established in China unless they are entitled to certain tax reductions or exemptions, for example, by tax treaties.

Under《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》(The Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income) (the "**Tax Agreement**"), effective from 1 January 2007, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is 5% if the Hong Kong enterprise owns at least 25% of the PRC enterprise. According to《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(The Notice of the State Administration of Taxation on Issues relating to the Administration of the Dividend Provision in Tax Treaties) (Guoshuihan 2009 No. 81) (the "**Notice 81**") promulgated on 20 February 2009, the corporate recipients of dividends distributed by Chinese enterprises must satisfy the minimum direct ownership thresholds requirements at all times during the 12 consecutive months preceding the receipt of the dividends. Pursuant to the Tax Agreement and the Notice 81, a payment of dividends by Xinwei (China) and Flyke (China) to Xinwei (Hong Kong) and Flyke (Hong Kong), respectively, may be subject to a PRC withholding tax at a rate of 5% from 5 August 2009 to 20 August 2009, respectively, if the provisions of the Notice 81 are satisfied and our overseas members are not considered to be PRC resident enterprises for tax purposes. According to the Notice 81, if the primary purpose of the transactions or arrangements is deemed by the relevant authorities to be entered into for the purpose of enjoying a favorable tax treatment, the favorable tax benefits enjoyed by us pursuant to the Tax Arrangement may be adjusted by the relevant tax authorities in the future.

The New Tax Law provides that if an enterprise incorporated outside China has its "de facto management organisation" within China, such enterprise may be deemed a PRC resident enterprise for tax purposes and be subject to an enterprise income tax rate of 25% on its worldwide income. Most members of our management are located in China and, as they have remained there after the effective date of the New Tax Law, our overseas members may be deemed PRC resident enterprises and therefore subject to an enterprise income tax rate of 25% on our worldwide income. As a result of these tax provision changes, our historical operating results will not be indicative of our operating results for future periods and the value of our Shares may be materially and adversely affected.

The New Tax Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, but due to the short history of the New Tax Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our members established in China will meet such qualification requirements.

The New Tax Law also stipulates that if (i) an enterprise distributing dividends is domiciled in China or (ii) capital gains are realised from the transfer of equity interests in enterprises domiciled in China, then such dividends or capital gains are treated as PRC-sourced income. If our overseas members are deemed PRC resident enterprises for tax purposes, then

(i) any dividends we pay to our non-resident overseas Shareholders and (ii) any capital gains realised by our non-resident Shareholders from transfers of our Shares may be regarded as PRC-sourced income and be subject to a PRC withholding tax rate of up to 10%.

As the New Tax Law has only recently taken effect, it is uncertain how it will be implemented by the relevant PRC tax authorities. If dividend payments from our PRC incorporated subsidiary to us are subject to the PRC withholding tax, it may have a material adverse effect on our business, financial condition and results of operations. If our dividend payments to our non-resident overseas Shareholders are subject to the PRC withholding tax, it may have a material adverse effect on your investment return and the value of your investment in us.

We are a holding company relying on dividend payments from our subsidiaries for funding

We are a holding company incorporated in the Cayman Islands and we operate our core business through our subsidiaries in China. Therefore, the availability of funds for us to pay dividends to our Shareholders and to repay our indebtedness depends upon dividends received from these subsidiaries. If our subsidiaries incur debt or losses, their ability to pay dividends or other distributions to us may be impaired. As a result, our ability to pay dividends and to repay our indebtedness will be restricted. The PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRSs. The PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

We cannot assure you that we will pay dividends in the future

Any future declaration of dividends will be proposed by our Board. The amount of future dividends on our Shares will depend on our earnings and financial position, our results of operations, our capital needs, our plans for expansion, our distributable reserves and other factors as our Directors may deem appropriate. Subject to the Companies Law, Shareholders in general meeting may from time to time declare a dividend or other distribution but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. As of 30 September 2009, we did not have any distributable reserves available for distribution to our Shareholders. Accordingly, we cannot assure you that we will pay dividends in the future.

Labour disputes could significantly affect our business

Labour disputes, work stoppages or slowdowns at our production facilities or any of our contract manufacturers or raw material suppliers could significantly disrupt our operations or our expansion plans. Delay caused by any such disruptions could materially and adversely affect our operations or projections for increased capacity, production and revenues, which could have a material adverse effect on our business, operating results and financial condition.

We are dependent on some of our key personnel

Our success depends heavily on our ability to attract, retain and motivate qualified key personnel including senior executives, design and technical personnel. We rely on the continued services of our executive Directors and members of our senior management team for their expertise in developing business strategies, product design and development, business operations and sales and marketing. In particular, Mr. LIN, our Chairman and executive Director, has more than 20 years of experience in the sportswear industry. In 2007, Mr. LIN was awarded the "*Outstanding Entrepreneurship in Brand-Building in China*" (中國品牌建設優秀企業家) by 中國國際名牌發展協會 (China International Nameplate Development Association*). A majority of our key personnel including our executive Directors have been part of our management team for over ten years. If we lose the services of any of these key personnel and cannot find appropriate replacement in a timely manner, our business and prospects could be materially and adversely affected.

Our ability to obtain additional funding may be limited which could delay or prevent completion of one or more of our growth strategies

During the Track Record Period, we financed our working capital and capital expenditure needs primarily through our operating cash flows, advances from our Controlling Shareholders, capital contributions and loans from banks and financial institutions in China.

Following the Listing, we anticipate that our working capital needs and our capital expenditure needs will increase in the future with the implementation of our growth strategies. Our ability to raise additional capital will depend on the financial success of our current business and the successful implementation of our future plans as set forth in this prospectus, as well as other financial, economic and market conditions, some of which are outside our control. Hence, we may not be successful in raising any required capital on reasonable terms and at required times, or at all. In addition, equity financings may have a further dilutive effect on our Shareholders. If we require additional debt financing, the lenders may require us to agree on restrictive covenants that could limit our flexibility in conducting future business activities, and the debt service payments may be a significant drain on our free capital allocated for our business activities. If we are unsuccessful in raising additional capital or if new capital funding costs are higher than our prior capital funding costs, our business operations and our development programmes may be materially and adversely impacted, with similar effects on financial condition and operating results.

Our business may be materially and adversely impacted by recent financial difficulties and economic conditions in the United States, Europe and elsewhere

The recent economic contraction in the United Sates, Europe and other countries around the world may materially and adversely impact our business, financial condition, operating results and prospects in a number of ways, including:—

— economic contraction in the United States, Europe and other countries around the world may lead to recession in some or all of the markets in which we operate and could adversely affect our business;

— a recession, or even the risk of recession, may cause our authorised distributors to delay, defer or cancel their purchases from us, including decisions previously made;

— consumers may prefer to savings and may seek to reduce spending on non-necessities;

— financing and other sources of liquidity may not be available to us on reasonable terms or at all; and

— the trading price of our Shares may experience increased volatility.

During the second-half of 2008 and the first-half of 2009, we reduced the *ex factory* prices for the sports shoes and sportswear with the *Flyke* brand, resulting in a decrease of our gross profit margin. Towards the end of 2008, we also reduced the selling prices in order to boost our sales under the Export ODM Business in view of the then sluggish demand by overseas buyers. Our accounts receivable from the Export Services Company was due for more than 60 days and less than 90 days in 2008, compared to less than 60 days as agreed with the overseas buyers, principally because of slow payment by the overseas buyers under our Export ODM Business due to the economic turndown.

The above situations may be exacerbated in the event of a prolonged economic downturn or financial crisis.

There may be conflict of interests between our Controlling Shareholders and other Shareholders

Immediately following completion of the Capitalisation Issue and the Global Offering, our Controlling Shareholders will beneficially own 75.0% of our Shares (assuming that the Over-allotment Option is not exercised and without taking into account any Share which may be issued upon the exercise of any option which may be granted under the Share Option Scheme).

Accordingly, our Controlling Shareholders are able to influence and determine the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including mergers, consolidations, any disposal of all or substantially all of our assets, the election of Directors and other significant corporate actions. In cases where they act and vote together, our Controlling Shareholders will also have the power to prevent or cause a change in control. Without the approval of some or all of our Controlling Shareholders, our

Company may be prevented from entering into transactions that could be beneficial to our Company. We cannot assure you that there will be no conflict of interests between our Controlling Shareholders and us or other Shareholders.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

The political and economic situation in China may have an adverse impact on our business

Since 1978, China's GDP has grown at a rapid rate. In 2008, China's nominal GDP grew at the real rate of 9.0% to RMB30,067.0 billion compared to RMB25,730.6 billion in 2007. There is no assurance that such growth will continue in the future. If there is a slow down in the economic growth or if there is a recession in China, demand for our products may decrease and our business, financial condition and results of operations may be materially and adversely affected.

The political, economic and social conditions in China 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. During 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. Although these economic reforms and measures could have a positive effect on China's overall and long-term development, the resulting changes may have a material adverse effect on our current or future business, financial condition, results of operations and prospects. Despite these economic reforms and measures, the PRC Government continues to play a significant role in regulating industrial development, the allocation of natural resources and production, pricing and management of currency, and there is 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.

In addition, demand for our products may be affected by a variety of factors in China which we may not have any control:—

— political stability or changes in social conditions in China;

— changes in laws and regulations or the interpretation thereof;

— measures which may be introduced by the PRC Government to control inflation or deflation; and

— import and export tariff and quota control.

Any significant change in relation to any of these factors may materially and adversely affect our business, operating results and financial condition.

Changes in the PRC foreign exchange regulations may adversely affect our business operations

The PRC Government imposes controls on the conversion of RMB into foreign currencies and, in certain cases, the remittance of foreign exchange out of China. A substantial portion of our income is received in RMB. Under our corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries, which must convert their RMB earnings into foreign currency before they may pay cash dividends to our Company or repay their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required when RMB is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investments in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries.

Subsequent to the Global Offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from the Global Offering in the form of registered capital or a shareholder loan into our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. In addition, the transfer of funds to our subsidiaries in China is subject to approval by PRC Government in case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans. These limitations on the flow of funds between our Company and members of our Group in China could restrict our ability to act in response to changing market conditions.

Fluctuations in the value of RMB may materially and adversely affect our financial condition and operating results

A substantial portion of our income is received in RMB. The value of the RMB against other foreign currencies is subject to changes in the PRC Government's policies and international economic and political developments. On 21 July 2005, the PRC Government reformed the exchange rate regime by abolishing the pegging of the RMB solely against the U.S. dollar and moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 23 September 2005, the PRC Government widened the daily trading band for RMB against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. On 18 May 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank spot exchange market of the RMB against the US$ from 0.3% to 0.5% around the central parity rate to allow the RMB to fluctuate against the US$ by up to 0.5% above or below the central parity rate published by the PBOC each day.

Recently there has been pressure from foreign countries on China to adopt a more flexible currency system that could lead to further appreciation of the RMB. The RMB may be revalued further against the US$ or other currencies or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the RMB against the US$ or other currencies. It is uncertain if the exchange rates of HK$, US$ and RMB will further fluctuate. We may face more competition from imported sportswear if there is any appreciation of RMB. Since our revenue and profit are denominated in RMB, any depreciation of RMB would materially and adversely affect the value of, and any dividends payable on, our Shares, our earnings and our assets, as well as our ability to fulfill any of our foreign currency denominated obligations.

Fluctuations in consumer spending caused by changes in the economic condition in China may significantly affect our business, financial condition, operating results and prospects

During the three years ended 31 December 2008 and the nine months ended 30 September 2009, we derived approximately 3.1%, 19.3%, 51.5% and 59.9%, respectively, of our turnover from the sales of the *Flyke* products in China. Our sales and growth are dependent on consumer consumption and the continued improvement of economic condition in China, which in turn depends significantly on the global economic condition and their impact on levels of consumer spending.

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 level and general consumer confidence. In addition, we believe that our historical growth rates were largely dependent on the general growth of China economy. If China economy experiences a slowdown or that the economic growth in China does not continue at the historical rates or at all, the consumer spending in China will be adversely affected. Our financial condition and operating results will also be adversely affected.

Interpretation of PRC laws and regulations involves uncertainty

Our core business is conducted within China and is governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference and are non-binding. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation and enforcement of PRC laws and regulations involve a degree of uncertainty. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favourable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention. All these uncertainties may cause difficulties in the enforcement of our entitlements under its permits, and other statutory and contractual rights and interests.

The implementation of the new employment contract law may increase our labour costs

A new employment contract law (the "**Employment Contract Law**") became effective in China on 1 January 2008. Pursuant to the Employment Contract Law, our PRC subsidiaries are required to enter into non-fixed term employment contracts with employees who have worked for us for more than 10 years or for whom a fixed term employment contract has been concluded for two consecutive terms. We may not be able to efficiently terminate non-fixed term employment contracts under the new Employment Contract Law without cause. We are also required to make severance payments to employees when the term of their employment contract expires, unless the employee voluntarily terminates the contract or rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. We have to bear the amount of severance payment equals to one month's salary for each full-year service staff and half-month's salary for those working less than six months. A minimum wages requirement has also been incorporated into the Employment Contract Law. Fines will be imposed for any breach of the Employment Contract Law.

As a result of the requirements imposed by the Employment Contract Law, our historical labour costs may not be indicative of our labour costs going forward. Compliance with the relevant laws and regulations may substantially increase our operating costs, and thus may have a material adverse effect on our results of operations.

Natural disasters, acts of war, terrorist attacks, political unrest and other events may have negative impact on our business

Natural disasters and other acts of god which are beyond our control may materially and adversely affect the economy and livelihood of the people in China. Our operations and financial condition may be adversely affected, especially when such events occur in regions in which our operations, independent manufacturers, raw material suppliers or authorised retail outlets are located.

Acts of war, terrorists' attacks and political unrest may cause damage or disruption to our facilities, our employees, the distribution channels operated by our distributors or their authorised retail outlets and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

In addition, certain countries, including China, have in recent years encountered epidemics, such as the Severe Acute Respiratory Syndrome (SARS), avian flu and influenza A (H1N1), which have caused various degrees of damage to the economy in China. If an outbreak of epidemics occurs again, the economy of China may suffer which will in turn adversely affect our results of operations.

PRC regulations on loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the net proceeds from the Global Offering to make loans or additional capital contributions to members of our Group in China

In using the proceeds from the Global Offering in the manner described in the section headed "Future Plans and Use of Net Proceeds from the Global Offering" in this prospectus, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any such loan or additional capital contribution to our PRC subsidiaries are subject to PRC regulations and approvals. On 29 August 2008, SAFE promulgated Circular 142 國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知 (Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises) (the "**Circular 142**"), a notice regulating the conversion by a foreign-invested company of foreign currency into RMB by restricting how the converted RMB may be used. The notice requires that the RMB funds converted from the foreign currency capital of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its oversight over the flow and use of the RMB funds converted from the foreign currency capital of a foreign-invested company. The use of such RMB capital may not be changed without SAFE's approval, and may not in any case be used to repay or prepay RMB loans if such loans are outstanding. Violations of Circular 142 will result in penalties, such as fines set forth in the relevant foreign exchange control regulations.

We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to our future loans or capital contributions to our PRC subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the net proceeds from the Global Offering and to fund our PRC operations may be adversely affected, which could materially affect our liquidity and ability to expand our business.

It may be difficult to effect service of process upon us or our Directors or senior officers who reside in China

Our assets and our operating subsidiaries are mostly located in China. In addition, most of our Directors and senior officers, and thus most of their assets, reside in China. As a result, it may not be possible to effect service of process outside China upon us or our Directors and senior officers, including with respects to matters arising under applicable securities laws.

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 been no public market for our Shares. The initial Offer Price range for our Shares as disclosed in this prospectus was the result of negotiations between us and China Everbright Securities (for itself on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. While we have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange, there is no guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering.

The trading price and the trading volume of our Shares may be volatile

The trading price and the trading volume of our Shares may be volatile and may be affected by the following factors:—

— actual or anticipated fluctuations in our results of operations;

— recruitment or loss of key personnel by us or our competitors;

— announcements of competitive developments, acquisitions or strategic alliances in our industry;

— changes in earnings estimates or recommendations by financial analysts;

— potential litigation or regulatory investigations;

— general market conditions or other developments affecting us or the sportswear industry;

— the operating and stock price performance of other companies, other industries and other events or factors beyond our control;

— political, social and economic conditions in China;

— release of lock-up or other transfer restrictions on our Shareholders; and

— general market sentiment regarding the sportswear industry and companies engaged in this industry.

Moreover, in recent years, the securities markets have experienced significant price and volume fluctuations, some of which may not relate to the operating performance of particular companies. These market fluctuations may adversely affect the market price of our Shares.

Investors will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price is higher than the net tangible assets value per Share immediately prior to completion of the Capitalisation Issue and the Global Offering. As a result, investors will experience immediate dilution in pro forma combined net tangible assets value per Share to the range between HK$0.820, assuming an Offer Price of HK$2.49 (being the high-end of the indicative Offer Price range) and HK$0.658, assuming an Offer Price of HK$1.81 (being the low-end of the indicative Offer Price range). If the Over-allotment Option is exercised, investors may experience further dilution.

In addition, we have adopted the Share Option Scheme pursuant to which we may in the future grant to our employees options to subscribe for our Shares. Exercise of options to be granted under the Share Option Scheme will cause a dilution in the earnings and net assets value per Share. Further information on the Share Option Scheme is set forth in the paragraphs under "Share Option Scheme" in Appendix VI to this prospectus.

To finance our business and expansion, we may need to raise additional funds through the issuance of new Shares or other securities which may be converted into Shares in the future, and if we do so the percentage shareholding of our Shareholders will be diluted accordingly.

The costs of share options to be granted under the Share Option could adversely affect our operating results and the exercise of the options granted may result in material dilution to our Shareholders

We adopted the Share Option Scheme, further information on which is set forth in the paragraphs under "Share Option Scheme" in Appendix VI to this prospectus. No options have been granted pursuant to the Share Option Scheme as of the Latest Practicable Date. The fair value of the options at the date on which they are granted with reference to the valuer's valuation would be charged as share-based compensation, which could adversely affect our operating results.

In addition, issue of Shares pursuant to the Share Option Scheme will increase the number of Shares in issue after such issuance and may result in the dilution of the percentage of ownership of the Shareholders, the earnings per Share and net asset value per Share.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering, in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorised any such press and media reports, and the financial information, financial projections, valuations and other information about us contained in such unauthorised press and media coverage may not truly reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Certain facts and statistics included in this prospectus may not be relied upon

Certain information and statistics contained in the section headed "Industry Overview" in this prospectus are derived from various official governmental publications. While reasonable care has been exercised in the reproduction of such information, it has not been independently verified by us, the Sponsor, the Sole Global Coordinator, the Underwriters or any of their respective affiliates or advisers and may not be accurate, complete or up-to-date. Our Directors make no representation as to the correctness or accuracy of such information and, accordingly, such information should not be unduly relied upon.

In addition, certain information and data contained in this prospectus are derived from market data provided by Euromonitor and EIU. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by us, the Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

The current market condition may not be reflected in the statistical information included in this prospectus

The historical information set out in this prospectus relating to market conditions and valuation may not reflect the current market situation due to rapid changes in the global and the PRC economy. In order to provide context to the industries in which we operate, and greater understanding of our market presence and performance, various statistics and facts have been provided throughout this prospectus. However, this information may not reflect current market condition as the recent economic downturn may not be fully factored into these statistics, and the availability of the latest data may lag behind the date of this prospectus. As such, any information relating to market shares, sizes and growth, or performance in these markets and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results.

Forward looking statements may not be accurate

Information in this prospectus contains certain forward-looking statements and information relating to us which is based on the belief of our Directors as well as assumptions based on the information currently available to them. In this prospectus, the words "believe", "consider", "expect", and similar expressions, as they relate to our Company or our Group or our Directors, are intended to, among others, identify forward-looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our Group's financial condition may be adversely affected and vary materially from that described herein as believed, considered, estimated or expected.