Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company is incorporated in Bermuda and we have operations conducted outside Hong Kong and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR GROUP

We may face difficulties in consolidating our existing customer base and developing new customers

We source garment products for our customers mainly located in the U.S., Canada, the U.K., Mexico, Japan and the PRC and our customers are mostly overseas brand owners/carriers, megastores, department stores, supermarket chains or importers. The success of our business depends on our ability to maintain and expand the volume of businesses with our existing customers and to source and develop new customers.

There is no assurance that we will be successful to continue to maintain good business relationships with our existing customers or to develop new customers. Moreover, as many of our customers are brand owners/carriers, megastores, department stores, supermarket chains or importers, potential customers may not be willing to place orders with us if our existing customers may be their competitors.

If we are not able to expand the volume of businesses with our existing customers or to extend our customer base by adding new customers at desired levels or at all, it could have a material adverse effect on our business, financial condition and results of operations.

Our revenue decreased by approximately 30.4% to approximately HK$894.4 million for the year ended 31 March 2010 from approximately HK$1,284.3 million for the year ended 31 March 2009. The decrease was primarily attributable to the decrease in sales to the Group's largest customer, a U.S. importer, due to the decrease in its orders from its major customer (a megastore) as a result of organisational changes of such megastore customer of it and not related to the quality of the Group's products. The organisational changes refer to the re-location of offices of such megastore's sourcing and merchandising division and the corresponding personnel changes, and we understand that additional time and effort was required for our customer, the U.S. importer, to re-build the business relationship with the new sourcing and merchandising division of its customer. As advised by our customer, such organisational changes of its megastore customer had been completed. For the year ended 31 March 2009, our revenue decreased by approximately 10.2% to approximately HK$1,284.3 million from approximately HK$1,430.9 million for the year ended 31 March 2008. The decrease is primarily due to our decision to cease manufacturing at our production facilities in Jordan, which had been handling primarily our orders for our customers in the U.S. market (including one of our top five customers during the Track Record Period). Our Jordan Factory has relatively high labour cost with production labour mainly imported from Bangladesh and the PRC, and for cost efficiency reason, we decided to close our Jordan Factory. This resulted in a decrease in sales to one of our top five customers during the Track Record Period.

We are dependent on our major customers

Our sales to our top five customers during the Track Record Period amounted to approximately HK$877.6 million, HK$786.0 million and HK$448.8 million which accounted for approximately 61.3%, 61.2%, and 50.2%, respectively, of our total revenue for each of the three years ended 31 March 2010. The decrease in sales to our top five customers during the Track Record Period was primarily due to the decrease in revenue from the U.S. market as a result of our decision to cease manufacturing at our production facilities in Jordan (where no import duty is imposed by the U.S.), which had been handling primarily our orders for the U.S. market. Our Jordan Factory has relatively high labour cost with production labour mainly imported from Bangladesh and the PRC, and for cost efficiency reason, we decided to close our Jordan Factory. Our sales to our largest customer for the three years ended 31 March 2010 amounted to approximately HK$530.4 million, HK$478.2 million and HK$137.2 million, respectively, representing approximately 37.1%, 37.2% and 15.3% of our total revenue, respectively. The decrease in our sales to our largest customer, a U.S. importer, is due to the decrease in its sales to its major customer (a megastore).

We do not enter into long-term contracts with our major customers as our Directors are of the opinion that we have been sourcing products for our top five customers for a relatively long period of time, ranging from four to twelve years. However, there is no assurance that our business relationship with our major customers will continue in the future. In the event that any of our major customers significantly reduce their purchases from us or our business relationship with them terminates, we may not be able to maintain the same sales volume with the remaining customers or attract new customers with the ability or willingness to contribute to the same amount of sales as our major customers have been contributing, which may adversely affect our business and profitability.

Even if we are able to maintain our business relationship with our major customers, the popularity of their brands may decline for reasons of changes in consumer trends or preferences, a loss of goodwill and reputation of them or other reasons. In addition, the decline of popularity in their brand in one region may affect the popularity of such brand in other regions, and the decline of popularity in one or some lines of their products may affect their other lines of products, which may all in turn adversely affect our operations as well as financial results.

We may face credit risks

We factor some of our receivables to factoring companies to hedge the risk of collection from customers as well as to maintain a cash inflow at a desired level for our business operation. Generally, we assess various aspects of a new customer to determine whether we should factor the receivables from it, including the relevant volume of the purchase order, its credit reference and background as well as the credit terms offered to it.

During the Track Record Period, we had engaged three factoring companies, most of the sales that we factored are without recourse. The sales that we factored to them without recourse represented approximately 39.9%, 40.1% and 23.8%, respectively, of our total turnover during the period. During the same period the sales that we factored to the factoring companies with recourse accounted for 0%, approximately 0.33% and 6.81%, respectively, of our total turnover.

A majority of our customers settled the amount payable to us on an open account basis and we, on average, offer a credit period of 30 to 60 days to them. There is also no assurance that our customers will pay to us on time or at all or whether any of them will fall into financial difficulties thereby affecting their ability to pay to us. If any of our customers or the factoring companies that we assign our debts to should fail to pay to us on time or at all, our financial condition will be materially adversely affected which will in turn affect our business operation.

Our factoring choices may be limited

A factoring company that we factored our receivables to encountered financial difficulties and underwent corporate restructuring during the Track Record Period which resulted in our decrease in factored receivables in the year ended 31 March 2010. We did not experience any operational and financial impact as a result of the incident and we did not experience any loss from factoring our receivables during the Track Record Period and up to the Latest Practicable Date. However, there is no assurance that any of the factoring companies we assigned our receivables to will be able to pay all the monies due to us on time or at all.

We may not be able to successfully track the fast changing fashion trends and respond to customer demands for garment products

The supply and demand for particular garment products changes from season to season and from year to year, depending on the fashion trends, fluctuations in consumer preferences and demands, as well as other factors. In order to maintain our relationship with our existing customers and develop new customers, we must be able to predict, identify and respond promptly to such changes. In addition, the purchasing power of our customers and their spending patterns may also be affected by increases in supply from our competitors in the industry or deteriorating economic conditions. Hence, if we fail to anticipate and respond rapidly and effectively to the fast changing fashion trends and customers' demands, our customers may reduce the size of orders or the number of types of products placed with us or cease to place orders with us, and our operating results may be materially and adversely affected due to fluctuation in purchase order. If we fail to develop new customers, our profitability may be adversely affected.

Our results of operations are subject to seasonality

Our results of operations are subject to seasonality. We generally sell and distribute products for the spring-summer season of the following year from October to March, and products for the fall-winter season from April to September. Typically, September and October amount to our "low" season. Unexpected and abnormal changes in climate may also affect the sales of our products that are timed for release during a particular season. For example, a warm winter may affect the sales of winter products, while a cool summer may affect the sales of T-shirts and other summer products. Hence, if climate changes irregularly, it may affect our customers' orders placed with us which in turn may adversely affect our business and results of operations.

Our financial results are expected to be affected by the expenses in relation to the Global Offering and the costs of options granted under the Share Option Scheme

Based on the unaudited management accounts of our Group for the four months ended 31 July 2010, our Group recorded a turnover of approximately HK$328.1 million which is comparable to the corresponding period of last year.

Notwithstanding the above, our financial results will be affected by the expenses in relation to the Global Offering and the costs of the options granted under the Share Option Scheme.

The estimated expenses in relation to the Global Offering are approximately HK$18,700,000, of which approximately HK$6,335,000 is directly attributable to the issue of new Shares to the public and is to be accounted for as a deduction from equity. The remaining estimated listing expenses of approximately HK$12,365,000 are to be charged to profit or loss of the Group for the six months ending 30 September 2010.

The costs of the options granted under the Share Option Scheme are calculated using the Binomial Model with assumptions on various inputs to the model such as the expected yield and share price volatility and on the basis of the exercise price being the Offer Price of HK$0.50 to HK$0.60. The fair value of the share options granted on 2 June 2010 is estimated to be approximately HK$6.81 million to HK$8.18 million. As the grant of share options will become effective on the Listing Date, which is expected to be 5 October 2010, the amount that will be charged to our profit or loss in the second half of the year ending 31 March 2011 as equity-settled expenses will be approximately HK$6.81 million to HK$8.18 million. Our Directors would like to emphasise that such cost is a current estimation for reference only and the final amount to be recognised to our profit or loss for the respective periods is subject to adjustment based on audit and the then changes in variables and assumptions.

Therefore, our financial results for the six months ending 30 September 2010 will be affected by the expenses in relation to the Global Offering, and our financial results for the year ending 31 March 2011 will additionally be affected by the costs of the options granted under the Share Option Scheme.

Reliance on key management personnel may impose risks on our Group

Our performance and success is, to a significant extent, attributable to the vision and leadership of Mr. Choi and the contribution of our other executive Directors (including Mr. Ng Tze On) and senior management team. The future success of our Group will depend on the continued involvement, efforts, performance and abilities of our Directors and senior management team of our Group as a whole. Competition for senior management and key personnel, in particular, qualified and experienced merchandisers, in our industry is intense and the pool of experienced candidates is limited. There is no assurance that we can maintain, develop and continually tap on the leadership skills of our key personnel, and we may lose our key personnel to competitors. If we are not able to retain our key personnel or attract and engage a suitable replacement on a timely and commercially viable basis, it may result in the loss of strategic leadership, disruption or delay to business operation, which may materially adversely affect alternative business strategies, our business, operations and financial condition.

We depend on our sub-contract manufacturers

Under our one-stop shop business model, we have the flexibility to outsource some of our production processes to sub-contract manufacturers. The criteria for determining whether to engage sub-contract manufacturers include (i) costs and pricing; (ii) the quality standard required; (iii) the capability and capacity of the sub-contract manufacturer(s); (iv) whether there is any tax benefit for our customers in selecting a particular sub-contract manufacturer. The duty rate imposed by the government of the country of our customers may vary according to the origin of the garment products, and some of our sub-contract manufacturers are located in places which may enjoy lower duty rates; (v) the need for diversification in producing countries; and (vi) the financial status of the sub-contract manufacturer(s).

We may also outsource part of the production process to our sub-contract manufacturers which have expertise in certain specific production processes such as printing or embroidery as per the requirements of our customers. Our operation and future success depend on our cooperation and stable business relationship with our sub-contract manufacturers. Major risks in relation to our dependence on our sub-contract manufacturers are set out below.

A significant portion of the garment products we sourced for our customers during the Track Record Period were sourced from sub-contract manufacturers

During the Track Record Period, approximately 73.3%, 75.8% and 70.1% of the garment products we sourced for our customers were produced by our sub-contract manufacturers. There is no assurance that all of our sub-contract manufacturers will continue to supply garment products to us at our desired quality, in a timely manner and on commercially acceptable terms. If any of our major sub-contract manufacturers should terminate their business relationship with us and we are not able to source suitable products from comparable alternative sub-contract manufacturers, our business may be adversely affected.

We do not enter into long-term contracts with any of our sub-contract manufacturers

We do not enter into long-term contracts with any of our sub-contract manufacturers as our Directors are of the opinion that we have had good and stable business relationship with our top five sub-contract manufacturers for six to ten years. However, there is no assurance that any of our sub-contract manufacturers will continue to provide sub-contracting services to us. The terms of services provided by the sub-contract manufacturers may also be susceptible to changes with regard to pricing, timing and quality. Our sub-contract manufacturers may fail to meet their production deadlines or maintain our required quality standards. In the event of termination of or changes to the current arrangements with our sub-contract manufacturers for any reason, our Group may not be able to locate comparable alternative sub-contract manufacturers or alternative sub-contract manufacturers that could provide sub-contract manufacturing services in a timely manner and/or on commercially acceptable terms. This could result in delay in the production schedule and in turn adversely affect our Group's business operations and financial results.

Our customers may bypass us to source products directly from our sub-contract manufacturers

Our customers may bypass us and place orders for garment products directly with our sub-contract manufacturers. If our customers bypass us and seek manufacturing services from our sub-contract manufacturers directly, we may experience a decrease in demand for our products, which may affect adversely our profitability and financial results. During the Track Record Period, to the best of the knowledge, information and belief of our Directors, none of our customers had bypassed us and directly placed order for garment products with our sub-contract manufacturers.

We are directly affected by the performance of our sub-contract manufacturers

If our sub-contract manufacturers cannot meet production deadlines or deliver products of unsatisfactory quality, our business, reputation and operations may be adversely affected. There is no assurance that the products our sub-contract manufacturers produce for us will always be able to meet the requirements of our customers. If any of the products they manufacture cannot satisfy our customers' required standards or have to be returned for any reason, we may not be able to meet our commitments to our customers, which may have an adverse impact on our business reputation. We may also incur significant additional costs which we may not be able to pass along to our customers, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Reliance on few suppliers may impose risks on our Group

Our suppliers include raw material suppliers as well as sub-contract manufacturers to whom we outsource the manufacture of our products. For each of the years ended 31 March 2008, 2009 and 2010, purchases from our top five suppliers amounted to approximately HK$455.5 million, HK$512.8 million and HK$253.0 million, respectively, representing approximately 36.9%, 45.7% and 34.4%, respectively of our total costs of sales. There is no assurance that any of our key suppliers will continue to supply fabric or garment products to us at our desired quality or at all and in a timely manner or on commercially acceptable terms. If any of our major suppliers fails to meet our purchase orders on a timely basis or fails to offer us commercially acceptable terms or fails to supply us with fabric or garments of the quality that we require or terminates its business relationship with us, we may be unable to source fabric or garment products from comparable alternative suppliers on a timely basis and on commercially acceptable terms and our business, financial condition and results of operations may be adversely affected.

Our business strategies or expansion plans may not be successful

We plan to further enhance our manufacturing capabilities by expanding our existing facilities and through merger and acquisitions or strategic cooperation with business partners. We also plan to allocate more resources into design and development and marketing and promotional activities to attract more potential customers and to expand our customer base.

To carry out our expansion plan, we may pursue selective strategic acquisitions of businesses and assets to expand our business portfolio in the future. The ability of our Group to achieve such expansion depends on our ability to identify the appropriate target and to initiate, negotiate and complete the acquisition. Acquisitions involve uncertainties and risks, including:

- potential ongoing financial obligations and unforeseen or hidden liabilities;
- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities; and
- diversion of resources and management attention.

In addition, we may experience difficulties in integrating newly acquired businesses or assets and in retaining key personnel to manage such acquired businesses or assets. Furthermore, the cost and duration of integration could also exceed our original estimation. We may not be able to develop our brand or expand into the retail market successfully, details of which are set out in other risk factors in this section. Any of these factors could adversely affect our business, operations and our financial results.

We expect to incur significant costs in connection with the expansion of our business, and any failure to successfully implement our expansion plans or to expand our customer base and attract more orders through the implementation of our business strategies may materially and adversely affect our profitability and growth. Any failure to successfully manage our expansion may make it difficult to effectively compete, develop new products or take advantage of new markets.

Our business depends on reliable supply of quality fabric

The principal raw material used in the production of our garment products is fabric. Quality of the garment products supplied to our customers, to a large extent, depends on the quality of the fabric. We have not entered into any long term supply agreements with any of our suppliers for fabric as our Directors are of the opinion that many of our top five suppliers for the Track Record Period have been supplying fabric to us for three to six years. However, there is no assurance that any of our key suppliers will continue to supply fabric to us at our desired quality or at all and in a timely manner or commercially acceptable terms.

If any of our major suppliers fails to meet our purchase orders on a timely basis or commercially acceptable terms or supply us with fabric of the quality that we require or terminate their business relationship with us, we may be unable to source fabric from comparable alternative suppliers on a timely basis and on commercially acceptable terms.

If we are unable to obtain sufficient quantities of quality fabric or if there are increases in the prices of raw materials, we may be unable to maintain our production schedules and meet our commitments to our customers. We may also incur significant additional costs to source raw materials from alternative suppliers, and may not be able to shift the increased costs to our customers by increasing product prices. Any such development may have a material adverse effect on our business, financial condition and results of operations. During the Track Record Period, we had not experienced any failure of our suppliers to meet our purchase orders which resulted in significant increase in costs incurred by us.

We do not have long-term contracts with our customers, which exposes us to potential volatility in our turnover

We do not have long-term contracts with our customers. The usual lead time between the placement of purchase orders by our customers and delivery of finished products will not be more than three months. Accordingly, the volume of our customers' purchase orders and our product mix may vary significantly from period to period, and it is difficult for us to forecast future order quantities. The terms of the current arrangements with our customers are susceptible to changes. There is no assurance that any of our customers will continue to place purchase orders with us in the future at the same level as in the current or prior periods, or at all and such reduction or termination of purchase order may be effected with short notice and we may not be able to locate alternative customers to replace the shorten purchase order. If one or more major customers were to cease to conduct business with us or if there is any adverse change in our business relationship with our customers, and we were unable to expand our business with existing customers or attract new customers, our business, financial condition and results of operations would be materially and adversely affected.

Furthermore, the actual volume of our customers' purchase orders may be inconsistent with our expectation at the time we plan our expenditures. As a result, our results of operations may vary from period to period and may fluctuate significantly. Our revenue decreased by approximately 30.4% to approximately HK$894.4 million for the year ended 31 March 2010 from approximately HK$1,284.3 million for the year ended 31 March 2009. The decrease was primarily attributable to the decrease in sales to the Group's largest customer, a U.S. importer. Such decrease is primarily attributable to the decrease in its orders from its major customer (a megastore) as a result of organisational changes of such megastore customer of it and not related to the quality of the Group's products. The organisational changes refer to the re-location of offices of such megastore's sourcing and merchandising division and the corresponding personnel changes, and we understand that additional time and effort was required for our customer, the U.S. importer, to re-build the business relationship with the new sourcing and merchandising division of its customer. As advised by our customer, such organisational changes of its megastore customer had been completed. Our Directors consider that impact of such organisational change of the major customer of our U.S. importer customer has largely been reflected in our results for the year ended 31 March 2010, and do not expect that our sales to such U.S. importer customer will further drop materially due to this factor. For the year ended 31 March 2009, our revenue decreased by approximately 10.2% to approximately HK$1,284.3 million from approximately HK$1,430.9 million for the year ended 31 March 2008. The decrease is primarily due to our decision to cease manufacturing at our production facilities in Jordan (where no import duty is imposed by the U.S.), which had been handling primarily our orders for our customers in the U.S. market (including one of our top five customers during the Track Record Period). Our Jordan Factory has relatively high labour cost with production labour mainly imported from Bangladesh and the PRC, and for cost efficiency reason, we decided to close our Jordan Factory. This resulted in a decrease in sales to one of our top five customers during the Track Record Period.

Our insurance coverage may not be sufficient to cover the risks related to our operations and losses

Our operations are subject to hazards and risks associated with our manufacturing operations, which may cause significant harm to persons or damage to properties. We maintain different types of insurance policies, including product liability insurance, transport accident insurance, vehicle insurance, property all risk insurance, industrial all risk insurance, earthquake insurance, employer liability insurance, marine cargo insurance and public liability insurance. However, we can give no assurance that our insurance policies will be adequate to cover all losses incurred. Losses incurred and associated liabilities may have a material adverse effect on our results of operations if such losses or liabilities are not covered by our insurance policies.

We may be subject to product liability claims

We maintain insurance against product liability for all of our products. Certain customers in the U.S. and Canada have specifically requested us to include them as the insured entities under our Group's product liability insurance policies so that they are entitled to claim for damages from the insurance companies directly. Any imposition of liability in excess of our Group's insurance coverage may materially affect our Group's business and financial position.

As at the Latest Practicable Date, as far as our Directors are aware and after making all reasonable enquiries, no legal claim has been made against our Group arising from product defects. Our Directors believe that, however, if the products sourced or manufactured by us for our customers contain defects which adversely affect our customers or ultimate buyers of such products, our Group may incur additional costs and sustain other resources in curing such defects or defending any legal proceedings or claims brought against our Group or paying substantial damage for any successful product liability claim and may result in negative publicity which adversely affects our reputation.

No legal claim had been made by any of our customers relating to the products sourced or manufactured by us during the Track Record Period. There is no assurance that there will not be any product liabilities claims against our Group in the future. If any customers of our Group make any claim against our Group due to the defects of the products sourced by us, our business and financial condition may be adversely affected.

We are subject to foreign exchange exposure

Substantially all our costs are denominated in RMB, USD, HK$ and IDR and our sales are mainly denominated in USD, EUR, CAD, RMB, HK$ and GBP.

We have not taken out extensive measures to hedge our foreign currency exchange risks. It is our Group's practice to address certain foreign currency exposure that arises as a result of entering into transactions involving large amounts of foreign currencies through the use of derivative financial instruments. Further details of the derivative financial instruments are set out in the paragraph headed "Derivative financial instruments" of the section headed "Financial information" in this prospectus. If there is any material fluctuation in the exchange rates of one currency that we use to settle our payables against the other currencies that we receive from our customers, and if we are unable to pass on the exchange risk to our customers, our results of operations and financial condition may be adversely affected.

Our business requires significant capital investments and a high level of working capital to sustain our operations and overall growth

Our business is capital intensive and we depend on cash generated from our operations as well as access to external financing to operate and expand our business. Our future funding requirements will depend, to a large extent, on our working capital requirements and the nature of our capital expenditures, our business performance, market conditions and other factors which are beyond the control and anticipation of our management. The tightening of credit which resulted from the recent economic downturn may increase the interest expenses on our bank borrowings and create difficulties for our Group to renew existing banking facilities and/or obtain additional sources of debt financing, which may affect the amount of banking facilities available to our Group. The lenders may withdraw facilities, request for early repayment of outstanding loans or increase in the amount of pledges for secured borrowings. Further, if our Group requires additional debt financing, the lenders may require us to agree on restrictive covenants that could limit our flexibility in conducting future business activities. We need substantial capital expenditures to maintain and continuously upgrade and expand our production facilities, design and development and sourcing functions, and distribution and marketing networks to keep pace with the competitive landscape and changing requirements in our industry.

We intend to fund a portion of our future capital expenditures, working capital needs and other funding requirements from our cash flow generated from our operating activities and from external sources of financing. If we are unable to generate sufficient cash flow or raise sufficient external financing on attractive terms to meet our operations and expansion needs, we may not be able to manage our existing operations, achieve our desired operating scale or expansion plans, which in turn may adversely impact our competitiveness and, therefore, our results of operations. During the Track Record Period, we had not experienced any lack of working capital for our operations.

We may not be able to develop our own brand

We are in the course of launching our branded "夢仕臣" (Monstons) underwear and homewear products in the PRC, targeting at mass production market. An element of our strategy for growth envisages us selling these products in large chain supermarkets in the PRC. We will also allocate part of the proceeds of the Global Offering to the development of our branded products.

To effectively promote our brand, we would have to be able to build and maintain the brand image by focusing on a variety of promotional and marketing activities to promote brand awareness, as well as to increase our presence in the PRC by expanding our retail network.

However, as our brand has a short history, we may encounter difficulties in promoting and marketing our brand. There may be competition between our existing customers going forward with us and/or future customers with us which include brand owners/carriers, megastores, department stores and supermarket chains, and us. Therefore, there is no assurance that the intended strategy can be achieved or will be profitable. We therefore cannot assure the growth in sales of our branded products and the future prospect of our brand. If the development strategy of our brand is not successful, the goodwill of our brand may be undermined, our Group's operating costs may increase and our Group's sales and financial results may be adversely affected, which may have a material adverse effect on our future revenue and profitability.

We may not be able to expand into the retail market successfully

We plan to cooperate with a brand of casual wear targeting at the youngsters' market in the PRC and to diversify our business into the retail market of the PRC. As at the Latest Practicable Date, our Company has considered certain cooperation opportunities but has not concluded with any joint venture partners in relation to its plans for expansion into the PRC retail market. We also plan to enter the retail market by launching our "夢仕臣" (Monstons) brand underwear and homewear products in the PRC.

We do not have any experience in the retail business sector. There is no assurance that our plan of such cooperation will proceed or our initiative to expand into the retail market of the PRC will become successful. In the event that such business strategy is not successful, our future revenue and profitability will be affected.

We rely on consignment sales with large chain supermarkets in selling our "夢仕臣" (Monstons) brand products

We supply our "夢仕臣" (Monstons) brand products to the large chain supermarkets on a consignment basis. We cannot guarantee the large chain supermarkets that are having consignment business relationship with us will continue such mode of business cooperation with us in future or whether we can increase the number of our consignment business partners. In the event that we cannot reach further agreements on consignment arrangements with these large chain supermarkets or if we cannot increase the number of our consignment business partners at a rate that we desire, the growth in the sales of our "夢仕臣" (Monstons) brand products may be adversely affected; or alternatively, we may need to allocate extra resources to develop retail channels in the PRC. In either case, our business and financial position might be adversely affected.

We cannot be certain that our operation does not or will not infringe any patents, valid copyrights or other intellectual property rights held by third parties

We may, in the future, be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we are found to have violated the intellectual property rights of others, we may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives. In addition, we may incur substantial expenses in defending against these third party infringement claims, regardless of their merit. Successful infringement or licensing claims against us may result in substantial monetary liabilities, which may materially disrupt the continuity of our business and the stability of our financial situation.

The interests of our Controlling Shareholders may differ from those of our other Shareholders

Our Controlling Shareholders will together control the exercise of approximately 73.059% voting rights in the general meeting of our Company immediately after the Global Offering. In light of the foregoing, our Controlling Shareholders could exercise significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions.

The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders could be disadvantaged by the actions of our Controlling Shareholders.

RISKS RELATING TO THE INDUSTRY

Our industry is subject to economic and market conditions. There has been significant deterioration and volatility in the global financial markets recently. As a result, our business operations may be adversely affected

Our business depends substantially on the global economic and market conditions. Slowing economic growth or a recession could have a material adverse effect on our business, financial condition and results of operations as well as affecting our expansion strategies. Periods of relatively slow economic growth, a recession or public perception that a slowdown or recession may occur, may decrease the demand for our products, thereby adversely affecting our sales and profitability. For example, during periods of slowing growth or recession, consumer spending power may drop as they are less willing to spend money. As our garment products are ultimately sold to consumers in the retail market, a drop in consumer spending power could lead to a drop in the amount of purchases from our customers and, in turn, adversely affect the demand of our products thereby adversely affecting our results of operations and financial conditions. This is particularly so as garment products are generally considered discretionary consumption items and the garment industry is very sensitive to changes in the economy.

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general slowing of economic growth both in the U.S. and globally and a drop in consumer expenditure in general, substantial volatility in equity securities markets, volatility and tightening of liquidity in credit markets. Economic downturn has also affected the purchasing power of our customers and their demands.

It is difficult to predict how long these conditions will exist and which markets and businesses of our Company may be affected. These developments could continue to present risks for an extended period of time for our Group, including a potential slowdown in our sales to customers. If this economic downturn continues, our business, financial condition and results of operations may be adversely affected.

We operate in a highly competitive industry

The garment industry is highly competitive, with a large number of manufacturers and sourcing companies throughout. We face competition from garment manufacturers and garment sourcing companies. Some of our competitors may have greater manufacturing capabilities and a more extensive customer base while others may have better financial and other resources than we do. We cannot assure you that we will be successful in expanding our market share against our competitors. Our competitors may be able to respond more quickly to new or changes in market trend or customer requirements and/or demands or adopt more competitive pricing policies. Existing and/or increased competition could adversely affect our market share and materially affect our business, financial condition and operating results.

In addition, our success is, to a large extent, attributable to our one-stop shop business model which enables us to provide to our customers a comprehensive range of services covering the entire supply chain of garment products, including product design, product development, production, logistics and delivery. There is no assurance that any of our competitors will not develop similar or better business models than ours. There is also no assurance that we may continue with our current business model due to cost reasons and pricing policies or keep up with design and develop improvement to maintain our competitive advantages or strengthen our business model. New competitors may also enter into the market with more innovative and competitive business model. If our competitors are more successful in developing their business models, they may be able to expand their customer base faster and obtain more orders than us. We may also lose our competitive advantages with more innovative business model in the market. In such event, our business operations and profitability will be adversely affected.

The business of our Group may be affected by outbreaks and recurrence of epidemics, natural disasters, acts of war, terrorist acts, political unrest and other events which are beyond our control

Certain countries in Asia have experienced epidemics such as SARS, avian influenza and natural disasters such as fire, floods, droughts, blizzards and earthquakes, which have had an adverse impact on the economies of the PRC and other parts of Asia.

Where there is an outbreak or a recurrence of epidemics or natural disaster in any country, acts of war, terrorist acts, political unrest and other events which are beyond our control, this could result in disruption to our business, which could in turn adversely affect our operations and financial results.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Political and economic policies of the PRC government and social conditions and legal developments of the PRC could affect our business

Our results, financial condition and prospects are to a significant degree subject to the economic, political and legal developments of the PRC, as a substantial part of our assets are located in the PRC and some of our sub-contract manufacturers are located in the PRC. The economic, political and social conditions, as well as government policies, including taxation policies, of the PRC, could affect our business. The PRC economy differs from the economies of most developed countries in many respects, including its structure, level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC economy has historically been a planned economy and has been in a transitional stage to a more market-driven economy. The PRC government continues to play a significant role in regulating industries by imposing industrial policies. There can be no assurance that economic, political or legal systems of the PRC will not develop in a way that is detrimental to our business, results of operations and prospects.

The government control of currency conversion could affect our business operations

At present, RMB is not freely convertible to other currencies. Under the current foreign exchange regulations, RMB is convertible without approvals from the SAFE or its local counterpart only with regard to current account transactions, including trade and service related foreign exchange transactions and payment of dividends to foreign investors, while the foreign exchange transactions in respect of capital account items including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require the prior approval of the SAFE or its local counterpart. There can be no assurance that the PRC government will not impose more stringent restrictions on the convertibility of RMB, especially relating to foreign exchange transactions. If the PRC government imposes additional restrictions on the convertibility of RMB, we may have difficulties remitting out the profits generated from our operations in the PRC, which may in turn adversely affect our ability to pay dividends to Shareholders in HK$ or other foreign currencies.

Uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on our business, operations and profitability

Although many laws and regulations have been promulgated and amended in the PRC since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of certain developed countries. The interpretation of the PRC laws and regulations involves significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. In addition, it may also be difficult to enforce judgments and arbitration awards in the PRC.

Many laws and regulations in the PRC are promulgated in broad principles and the Central People's Government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There can be no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect upon our business, operations or profitability.

Our labour costs may increase for reasons such as the implementation of the Labour Contract Law of the PRC or a labour shortage in the places we operate

The Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the "**Labour Law**") became effective on 1 January 2008 in the PRC. It imposes more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. Pursuant to the Labour Law, the employer is required to make severance payment to fixed-term contract employees when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or are better than those stipulated in the current employment contract. In general, the amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the Labour Law. In addition, the employer is also required to enter into non-fixed term employment contracts with employees who have worked for them for more than 10 years or, unless otherwise provided in the Labour Law, to enter into non-fixed term employment contracts with employees whose fixed term employment contracts have been concluded for two consecutive terms since 1 January 2008.

In addition, under the "Regulations on Paid Annual Leave for Employees" (職工帶薪年休假條例) (the "**Regulation**"), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result of the Labour Law and the Regulation, our labour costs may increase. Further, under the Labour Law, when we terminate our PRC employees' employment, we may be required to compensate them for such amount which is determined based on their length of service with us, and we may not be able to efficiently terminate non-fixed term employment contracts under the Labour Law without cause. In the event we decide to significantly change or decrease our workforce, the Labour Law could adversely affect our ability to effect these changes cost-effectively or in the manner we desire, which could result in adverse impact to our business, operations or profitability.

In addition, if there is a shortage of labour or for any reason the labour cost in the PRC or any other country in which we operate rises significantly, the cost of production of our products is likely to increase. This may in turn affect the selling prices of our products, which may then affect the demand of such products and thereby adversely affect our sales and financial condition. Increase in costs of other components required for production of our products may cause similar adverse effects, particularly if we are unable to identify and employ other appropriate means to reduce our costs of production. Furthermore, we may not be able to pass on the increased cost to consumers by increasing the selling prices of our products in light of competitive pressure in the markets where it operates. In such circumstances, our profit margin may decrease and our financial results may be adversely affected.

Non-compliance with PRC laws and regulations relating to housing fund contributions may adversely affect our financial condition

Under the relevant PRC laws and regulations, enterprises in China are required to make contributions to housing fund, in the amount equal to certain percentage of each employee's salary on a monthly basis. An employer who fails to make such mandatory contributions may be ordered to make up such contributions within a stipulated time frame and also pay certain amount of fines. If we are found by the relevant government authorities to have breached the relevant laws and regulations, we may be required to make relevant contributions for the employees retroactively and may also be subject to fines, which may adversely affect our financial condition.

According to the Regulations on the Administration of Housing Fund (住房公積金管理條例) effective on 3 April 1999, the PRC companies shall go through housing fund registration with the local housing fund administration center and open housing fund accounts for its employees in a bank. A company may be subject to order to handling within a time limit for failure to comply with the rules in relation to the abovementioned registration and accounts opening. If a company fails to handle within the prescribed time limit, it shall be imposed with a penalty ranging from RMB10,000 to RMB50,000. Where a company fails to pay up housing funds within the time limit, the housing fund administration center will order it to make payment within a certain period of time, and if our Company still fails to do so, the housing fund administration center may apply to the court for enforcement of the unpaid amount.

Jiangmen Factory and FG Shenzhen did not register with relevant authorities, did not establish a housing fund account with banks and did not contribute to the housing fund. Due to different levels of acceptance of housing fund system by employees and the fact that certain employees did not ordinarily reside in Jiangmen or Shenzhen, Jiangmen Factory and FG Shenzhen have not made any housing fund contributions. As at 30 April 2010, Jiangmen Factory's outstanding amounts of housing fund contributions amounted to approximately RMB4 million, which, together with the maximum amount penalty of RMB50,000 that may be payable, is the maximum potential liability arising from the outstanding contributions for Jiangmen Factory.

Rocwide Limited, a member of the VC Group, acquired 60% equity interest in Jiangmen Factory in 2006; our Group acquired the remaining 40% equity interest in 2009 and acquired Rocwide Limited in 2010, and from 7 April 2010, Jiangmen Factory became a wholly-owned subsidiary of our Company. Since our Group was not a shareholder of Jiangmen Factory since its establishment until the respective transfers of equity interest as mentioned, the past shareholders of Jiangmen Factory had undertaken, should Jiangmen Factory be required to contribute to the housing fund, to contribute the portion attributable to them according to the period during which they were the shareholders and their respective shareholding ratios. Taking into account the undertakings of the past shareholders, the portion of the housing fund attributable to our Group was approximately RMB139,451 as at 30 April 2010. In addition, our Controlling Shareholders have provided indemnities in favour of our Group against the potential liability arising from the outstanding housing fund contributions. When taking into account the undertakings of the past shareholders and a subsidiary of the VC Group, should the housing fund contributions be provided for based on the maximum potential liability, the Group's consolidated profit before tax for each of the three years ended 31 March 2010 would be reduced by approximately 1.15%, 0.86% and 1.12% respectively, and the amount of the Group's consolidated net asset as at 31 March 2010 would be reduced by approximately 0.7%.

As advised by the official at the Housing Fund Administration Center of Xinhui District, being a competent authority in this aspect, during a meeting on 23 June 2010, Jiangmen Factory was only required to pay its outstanding housing fund contribution for its employees if and when the Center received complaint(s) from the relevant employee(s). According to such official, the Center has not received any complaint from any employee of Jiangmen Factory as at the date of the above meeting. Based on the above, Jiangmen Factory is not, at present, required to make payment of its outstanding housing fund contribution. No written confirmation from the Center was obtained in this respect.

The amount required to be contributed by FG Shenzhen was approximately RMB12,800 for the period commencing from 1 February 2010 (being the first whole month since employees were hired) to 30 April 2010, which, together with the maximum amount of penalty of RMB50,000 that may be payable, is the maximum potential liability arising from the outstanding contributions for FG Shenzhen. Based on the results of its enquiry with the Shenzhen Social Insurance Fund Management Bureau* (深圳市社會保險基金管理局) on 8 September 2010, being a competent authority in this aspect, our PRC Legal Advisers advised that, although the Regulations on the Administration of Housing Fund became effective on 3 April 1999, at present, it is still not mandatory for companies in Shenzhen to contribute to the housing fund and accordingly, the possibility for FG Shenzhen being legally liable for failure to contribute to the housing fund is low. No written confirmation from this Bureau was obtained.

Any changes in our tax treatment, including an unfavourable change in preferential enterprise income tax rates in the PRC, may have a material adverse impact on our financial condition and results of operations

On 16 March 2007, the National People's Congress of the PRC promulgated the Corporate Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**New Tax Law**") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law (the "**Implementation Regulations**"). According to the New Tax Law and the Implementation Regulations, the statutory tax rate of 25% was effective from 1 January 2008. Before 1 January 2008, the statutory income tax rate was 33%.

Pursuant to the relevant laws and regulations in the PRC, Jiangmen Factory is exempted from PRC enterprise income tax for two years starting from its first profit making year, which is 2008, followed by a 50% reduction for the next three years. Jiangmen Factory can continue to enjoy the tax incentives granted to it according to the grandfathering provisions in the Implementation Regulations.

However, no assurance can be given that the current policies in the PRC with respect to the current preferential tax treatment that we enjoyed will not be abolished or unfavourably amended, or that the approval for such preferential tax treatment will be granted to our subsidiaries in a timely manner, or at all.

Recent PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our strategy as well as our business and prospects

The Rules on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), which were promulgated in August 2006 and were effective from 8 September 2006 as well as were amended on 22 June 2009, provide the rules with which foreign investors must comply if they are seeking to acquire shares in a non-foreign funded enterprise, whether through a purchase agreement with existing shareholders or through a direct subscription to our company's capital increase, that would result in that company becoming a foreign-funded enterprise. The M&A Rules further require that the business scope of the resultant foreign-funded enterprise conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄). The M&A Rules also provide the takeover procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Rules will be interpreted or implemented. If we decide to acquire a PRC company in the future, there is no assurance that we or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Rules. This may restrict our ability to implement our expansion and acquisition strategy and could materially and adversely affect our future growth.

PRC regulations on loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries

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 loans to our PRC subsidiaries are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also determine to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce or its local counterpart. We cannot assure you that we can obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to finance our PRC subsidiaries. If we fail to receive relevant registrations or approvals, our ability to use the proceeds of this offering and to capitalise our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

A shortage of electricity and water supply in the PRC would affect our production and affect our business and financial performance

Part of our revenue is dependent on the continued operations of our production facilities in the PRC. A disruption in the supply of utilities including electricity and water supply, typhoons, floods or other calamities resulting in a prolonged power outage, could result in an interruption or delay of, or require us to curtail, our operations. Any such disruption in our operations could cause us to reduce or halt our production, prevent us from meeting customer orders, adversely affect our business reputation, increase our costs of production or require us to make unplanned capital expenditures, any one of which could materially and adversely affect our business, financial condition and results of operations. During the Track Record Period, we had not experienced any disruption of electricity and/or water supply resulting in losses to our Group.

Changes in government regulations such as environmental laws and regulations could affect our results of operations

Our operations generate pollutants and waste in various stages of the manufacturing process. The discharge, storage and disposal of such pollutants and waste are subject to environmental laws and regulations in the PRC, including laws and regulations requiring clean-up of contamination and reclamation. Historically, environmental legislation in the PRC has, in many cases, been less stringently enforced. However, more stringent standards may be introduced, stricter interpretations of existing laws may occur or enforcement may become more stringent in the PRC. Changes in the regulatory framework may result in an increase in our actual operating costs and liabilities for which we have not provided.

RISKS RELATING TO CONDUCTING BUSINESS IN INDONESIA

Indonesia is located in an earthquake zone and is subject to significant geological risk that could lead to social unrest and economic loss

Indonesia is located in one of the most volcanically active regions in the world and is subject to significant seismic activity that can lead to destructive earthquakes and tsunamis, or tidal waves. In December 2004, an underwater earthquake off the coast of Sumatra created a tsunami that devastated coastal communities in Indonesia, Thailand and Sri Lanka and caused billions of US$ in damages. In Indonesia, more than 220,000 people died or were recorded as missing in the disaster. In May 2008, a 6.4 magnitude earthquake struck roughly 30 miles southwest of Mount Merapi, killing over 6,000 people and leaving over 200,000 people homeless in the Yogyakarta region. In July 2006, a 7.7 magnitude earthquake struck approximately 220 miles of south Jakarta and the resulting tsunami killed over 500 people and left over 35,000 people homeless. Most recently, in September and October 2009, as series of earthquakes ranging in magnitude of up to 7.6 struck various parts of Indonesia.

The Indonesian government has had to expand significant amounts of resources on emergency aid and resettlement efforts. Most of these costs have been underwritten by foreign governments and international aid agencies. However, such aid may not continue to be forthcoming or delivered to recipients on a timely basis. If the Indonesian government is unable to timely deliver foreign aid to affected communities, political and social unrest could result. Additionally, recovery and relief efforts could strain the Indonesian government's finances and may adversely affect its liability to meet its obligations on its sovereign debt. Any such failure on the part of the Indonesian government, or declaration by it of a moratorium on its sovereign debt, could potentially trigger an event of default under numerous private-sector borrowings.

A significant earthquake, geological disturbance or tsunami affecting any of Indonesia's more populated cities could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting us. We had not been subject to any damages and loss resulting from this risk during the Track Record Period and up to the Latest Practicable Date.

The interpretation and implementation of legislation on regional governance in Indonesia is uncertain

Following the end of 32 years' centralised regime of Soeharto, the Indonesian government has enacted a number of laws to increase regional autonomy. Under these laws, regional governments have greater powers and responsibilities over the use of national assets and to create a more balanced and equitable financial relationship with the central government. Regional government has been allowed to impose taxes and other charges on entities. This may cause different treatment on every entity operated in a different regional territory.

This decentralisation of power has created uncertainties, including with respect to the validity, scope, interpretation and application of foreign investment policy. Limited precedent or other guidance exists on the interpretation and implementation of the regional autonomy laws. This uncertainty has increased the risks and may increase the costs, involved in our operation in Indonesia.

Labour unrest or activism could adversely affect us, our customers and Indonesian companies in general which in turn could affect business, financial condition, results of operations and prospects

Our operations are labour intensive. Our operations have not been materially affected by any significant labour dispute or dispute with community farmers in the past. However, we may, in the future experience labour unrest, activism, disputes or actions involving our employees any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, laws permitting the formation of labour unions, combined with weak economic conditions, have resulted, and may continue to result, in labour unrest in Indonesia. On March 25, 2003, the Indonesian government enacted Law No. 13 Year 2003 regarding Manpower (the "**Manpower Law**"). The Manpower Law, among other things, and subject to certain procedural requirements, gives the right to employees to strike in the event that regulations may also be expected in the future. Due to the active involvement of various non-governmental organisations, employees' awareness of Indonesian employment regulations has also increased during the last several years. The Manpower Law, existing Indonesian employment regulations and any manpower regulations and laws adopted in Indonesia aim the future may have an impact on the business environment, including ours, which may limit our ability to downsize or implement flexible labour policies.

Labour unrest and activism in Indonesia could disrupt our operations, the operations of our suppliers or contractors and could affect the financial condition of Indonesian companies in general, including depreciation of securities it issued. Any of such events could have a material adverse effect on our business, financial condition, results of operation and prospects. We had not been subject to any damages and loss resulting from this risk during the Track Record Period and up to the Latest Practicable Date.

We operate in a legal and regulatory system in which the application and enforcement of various laws and regulations may be uncertain

Indonesia's legal system is a civil law system based on written statutes. However, at times, the interpretation, application or enforcement of laws and regulations may be unclear and the content of applicable laws and regulations may not be immediately available to the public.

Judicial decisions in Indonesia, in particular those rendered by the Supreme Court, are persuasive but they do not constitute binding precedent. They are also not systematically and publicly available as in developed countries. Many of Indonesia's commercial and civil laws and rules on judicial process are based on pre-independence Dutch law and have not been revised to reflect the complexities of modern financial transactions and instruments. Indonesian courts are often unfamiliar with sophisticated commercial or financial transactions, leading in practice to uncertainty in the interpretation and application of Indonesian legal principles. The application of many Indonesian laws and regulations depends, in large part, upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy. Indonesian judges operate in an inquisitorial legal system and have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. In practice, Indonesian court decisions may omit, or may not be decided upon, a legal and factual analysis of the issues presented in a case.

Further, public and judiciary supervision of administrative and law enforcement authorities are not well established. Consequently, there are instances of these authorities changing their interpretation of the law without public consultation prior notice.

In summary, administration and enforcement of laws and regulations by Indonesian courts and governmental agencies may be subject to uncertainty and considerable discretion. Uncertainty regarding the application and enforcement of various laws and regulations to our business, our entitlement to the various land rights, or other legal or regulatory matters relating to our business could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN OTHER PLACES

We may also be affected by the political and economic policies and the social conditions and legal developments of the places that we operate or conduct business in

Our customers are mainly located in the U.S., Canada, the U.K., Mexico, Japan and the PRC and we source garment products for them in the PRC, and other places in Asia including Cambodia and Vietnam. We also have offices or representatives in the U.S., Canada, PRC, Hong Kong and Macau to provide sales supporting and customer services to our customers.

We operate in different places and our customers and business partners are both in China and overseas. Other than the PRC, our business operations are also affected by the economic, political and legal developments of the places where we or our business operate. There can be no assurance that economic, political or legal systems of those places will not develop in a way that is detrimental to our business, results of operations and prospects.

We are a holding company and rely on dividend payments from our subsidiaries

On 6 September 2010, FG Holdings declared a special dividend of HK$30.0 million payable to its then shareholders. Such dividend will be paid before Listing. Investors should pay attention to the possible impact on our cashflow and working capital as a result of the payment of the special dividend. FG Holdings had also declared and paid dividends in the amount of HK$7.0 million, HK$6.2 million and HK$3.0 million to its then shareholder for the three years ended 31 March 2008, 2009 and 2010, respectively. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

We are a holding company and conduct substantially all of our business through our operating subsidiaries in various jurisdictions. As a result, our ability to pay dividends depends on dividends and other distributions received from our operating subsidiaries. If our subsidiaries incur debt or losses, it may impair their ability to pay dividends or other distributions to us, which could adversely affect our ability to pay dividends to our Shareholders.

The ability of our subsidiaries to pay any dividend in a given year to us depends on the legal and regulatory requirements to which the relevant subsidiary is subject; in general, our subsidiaries could not pay dividend to us if they do not have distributable profits. Limitations on the ability of our subsidiaries to remit their after-tax profits to us in the form of dividends or other distributions could adversely affect our ability to grow, make investments that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. We also cannot assure you that our subsidiaries will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to us to enable us to pay dividends to our Shareholders.

In respect of our PRC Subsidiaries, the newly enacted PRC Enterprise Income Tax Law and its implementation rules stipulate that if an entity is deemed to be a non-PRC resident enterprise which has no establishment or place of business in the PRC or has establishment or place of business in the PRC but the income has no relationship with such establishment or place, withholding tax at the rate of 10% will be applicable to any dividends paid to it by its PRC subsidiary, unless it is entitled to reduction or elimination of such tax, including by tax treaties.

In addition, restrictive covenants in bank credit facilities, joint venture agreements or other arrangements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to pay dividends or make distributions to us. These restrictions could reduce the amount of dividends or other distributions we receive from our subsidiaries, which in turn would restrict our ability to pay dividends to our Shareholders.

RISKS RELATING TO THE GLOBAL OFFERING

Shareholders' interests in the share capital of our Company may be diluted in the future

We may in the future expand our capabilities and business through acquisition, joint venture and strategic partnership with parties who can add value to our business. Our Company may issue new shares if we require funding in the future to raise capital, which may result in a dilution of the equity interests of our Shareholders. We may require additional equity funding after the Global Offering and the equity interest of our Shareholders will be diluted should our Company issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances.

Issuance of Shares pursuant to the Share Option Scheme will result in dilution of Shareholders' interests and reduction in earnings of our Group in future years

Any exercise of the options granted or to be granted under the Share Option Scheme in the future and issuance of Shares thereunder would also result in the reduction in the percentage ownership of our Shareholders. There may also be a dilution in the earnings per Share and net asset value per Share as a result of the increase in the number of Shares outstanding after the issue of such additional Shares.

Under the IFRS 2, the costs of share options granted to directors and employees under the Share Option Scheme will be charged to our profit or loss over the vesting period by reference to the fair value at the date on which the share options are granted. As a result, our profitability may be adversely affected. Please also refer to the paragraph headed "Our financial results are expected to be affected by expenses in relation to the Global Offering and the costs of options granted under the Share Option Scheme" of this section.

There has been no prior market for our Shares

Prior to the Global Offering, there has been no public market for our Shares. There is no guarantee that a liquid public market for our Shares will develop or be sustained upon completion of the Global Offering. In addition, the Offer Price has been determined by negotiations between the Lead Manager (for itself and on behalf of the Underwriters) and our Company, and may not be indicative of the market price of the Shares that will prevail in the trading market and such market prices may be volatile.

If an active public market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be adversely affected. Investors may not be able to sell their Shares at or above the initial public offering price. The stock market of Hong Kong generally has experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies in recent years. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the prevailing market price of our Shares

All our Controlling Shareholders have given undertakings not to dispose of their Shares prior to the expiry of a six-month period from the Listing Date. Our Company cannot guarantee that all our Controlling Shareholders will not dispose of any Shares upon the expiry of such period. In the event that our Controlling Shareholders sell a substantial number of the Shares in the market, or where there is a perception that such sales may occur, there could be a substantial adverse effect on the prevailing market price of our Shares.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against our Company and our management

Our Company is a company incorporated in Bermuda under the Companies Act with limited liability and the Companies Act differs in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions.

Our Company's corporate affairs are governed by its memorandum of association and the Bye-laws, the Companies Act and the common law of Bermuda. The rights of our Shareholders to take legal action against our Directors and our Company, actions by minority Shareholders and the fiduciary responsibilities of our Directors to our Company under Bermuda law are to a large extent governed by the common law of Bermuda. The common law of Bermuda is derived in part from comparatively limited judicial precedent in Bermuda as well as from English common law, which has persuasive, but not binding, authority on a court in Bermuda. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Bermuda law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located. In particular, Bermuda has a less developed body of securities laws.

In addition, although our Company will be subject to the Listing Rules and the Takeovers Code upon the listing of our Shares on the Stock Exchange, our Shareholders will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules.

Furthermore, the Takeovers Code do not have the force of law and only provide standards of commercial conduct acceptable for takeover and merger transactions and share repurchases in Hong Kong.

As a result of any or all of the above, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our Company's management, directors or major shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

For further information on the constitution of our Company and Companies Act, see "Summary of the constitution of our Company and Bermuda company law" set out in Appendix IV to this prospectus.

We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus

We have derived certain facts and other statistics in this prospectus relating to the garment industry in the PRC and worldwide, the PRC and global economy, from various government official or publicly available sources that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. While our Directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Sponsor, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. The facts and other statistics include the facts and statistics included in the sections headed "Risk factors", "Industry overview" and "Business" in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to official statistics produced for other economies and you should not place undue reliance on them.

Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are "forward-looking" and indicated by the use of forward-looking terminology such as "anticipate", "believe", "estimate", "expect", "may", "ought to", "should" or "will" or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by us that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

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

There may be press and media coverage regarding us or the Global Offering, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.