
HISTORY AND DEVELOPMENT

OUR CORPORATE HISTORY

FG International

Our history began when Mr. Choi and Mr. Ng Tsze Lun, our senior management staff, joined FG International in 1998 and the garment trading business of FG International started to expand. Prior to the joining of Mr. Choi and Mr. Ng Tsze Lun, FG International was engaged in general trading business. The issued share capital of FG International at that time was HK\$2,000,000 divided into 2,000,000 shares of HK\$1.00 each and all the shares were owned by Independent Third Parties.

On 18 March 1999, the issued share capital of FG International was increased to HK\$5,000,000 divided into 5,000,000 shares of HK\$1.00 each.

The garment trading business of FG International had grown substantially since 1998. In appreciation of Mr. Choi's contribution to the business development of FG International, on 16 March 2001, the then shareholders of FG International transferred to Mr. Choi 3,000,000 shares of FG International, representing 60% of the then entire issued capital of FG International, at an aggregate consideration of HK\$100,000, as bonus shares for Mr. Choi's contribution to FG International.

As a vertical integration of the VC Group to expand its fabric manufacturing and garment business, on 1 April 2001, VC Holdings acquired 11% interest in FG International from Mr. Choi at a consideration of approximately HK\$1.8 million and acquired 40% interest in FG International from one of its then shareholders at a consideration of approximately HK\$6.5 million, such consideration was determined with reference to the then net asset value and the value of goodwill of FG International. After the acquisition, FG International became an indirect 51% owned subsidiary of VC while the remaining 49% interest in FG International was owned by Mr. Choi.

Mr. Choi was appointed as a director of FG International on 28 February 2001 and Mr. Li and Mr. Chen were appointed as directors of FG International on 1 April 2001.

After the acquisition by the VC Group, FG International gradually developed its business into garment sourcing management. In the meantime, FG International continued to expand its business with existing customers and develop new customers.

On 1 June 2002, Mr. Choi transferred all of his 2,450,000 shares in FG International to FG Holdings at a consideration of HK\$2,450,000 and VC Holdings transferred its 2,549,999 shares in FG International to FG Holdings and one share to Mr. Li (who held such one share on trust for FG Holdings) at an aggregated consideration of HK\$2,550,000. Since then, FG Holdings has become the holding company of FG International.

Jiangmen Factory

The principal business of Jiangmen Factory is manufacturing and sale of apparel products and it was established by an Independent Third Party in the PRC on 31 May 2000 with an initial registered capital of HK\$50,000,000 and an initial total investment of HK\$100,000,000. The initial registered

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capital of Jiangmen Factory of HK\$50,000,000 was required to be fully paid up within two years from its establishment. However, the Independent Third Party was unable to fulfill its obligations to inject capital into Jiangmen Factory within the required time frame.

On 11 October 2005, Rocwide Limited, the then wholly-owned subsidiary of VC, entered into an equity transfer agreement with the Independent Third Party holding 100% interest in Jiangmen Factory and acquired from it 60% equity interest in Jiangmen Factory at nil consideration. By the same agreement, Mr. Lau Fat Chuen, our senior management staff, acquired the remaining 40% interest in Jiangmen Factory at nil consideration. The Independent Third Party was willing to transfer its equity interests in Jiangmen Factory to each of Rocwide Limited and Mr. Lau Fat Chuen at nil consideration because prior to the disposal of its interests in Jiangmen Factory, it had only injected approximately HK\$7.9 million into Jiangmen Factory and it was not able to fulfill its obligations to inject further capital into Jiangmen Factory as required. Additionally, Jiangmen Factory had been operating at a loss before Rocwide Limited and Mr. Lau Fat Chuen acquired their respective 60% and 40% interests in it. The approval of both transfers was obtained on 4 January 2006. The VC Group acquired the 60% interest in Jiangmen Factory to enhance its manufacturing capabilities.

On 4 January 2006, Jiangmen Factory reduced its registered capital and total investment to HK\$30,000,000 and HK\$60,000,000 respectively. Such reduction was made after taking into account the capital requirement of Jiangmen Factory. Subsequent to the equity transfer in October 2005 as mentioned above, Rocwide Limited and Mr. Lau Fat Chuen contributed to the then outstanding registered capital of Jiangmen Factory which amounted to approximately HK\$22,000,000.

On 18 May 2009, Mr. Lau Fat Chuen entered into individual equity transfer agreements with each of the five individuals pursuant to which Mr. Lau Fat Chuen agreed to transfer 8% interest in Jiangmen Factory to each of these five individuals at an aggregate consideration of HK\$12,000,000. The considerations were arrived at based on normal commercial terms after arm's length negotiations between the parties with reference to the then net asset value of Jiangmen Factory. Approval for such transfer was obtained on 16 June 2009. Following completion of such transfer, Jiangmen Factory was owned as to 60% by Rocwide Limited and 8% by each of the five individuals.

On 29 June 2009 and 6 July 2009, FG Holdings entered into individual equity transfer agreements with each of the then five shareholders holding 40% interest in Jiangmen Factory and acquired from them 40% equity interest in Jiangmen Factory at an aggregate consideration of HK\$19,000,000. The considerations were arrived at based on normal commercial terms after arm's length negotiations between the parties with reference to the then net asset value of Jiangmen Factory at completion date. Approval for such transfer was obtained on 25 August 2009 and registration for the change of shareholders of Jiangmen Factory was completed on 19 November 2009. Following completion of the acquisition, Jiangmen Factory was owned as to 40% by FG Holdings and 60% by Rocwide Limited.

On 25 February 2010, FG Holdings and V-Apparel International Limited, an indirect wholly-owned subsidiary of VC, entered into a sale and purchase agreement (the **"Rocwide Agreement"**), pursuant to which FG Holdings acquired the entire issued share capital of Rocwide Limited and the outstanding amount of loan made by or on behalf of V-Apparel International Limited to Rocwide

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Limited at a consideration of HK\$48 million. Such consideration was arrived at based on normal commercial terms after arm's length negotiations between the parties with reference to the unaudited consolidated net asset value of Rocwide Limited of approximately HK\$12,774,000 as at 30 September 2009 and the amount of the loan made by or on behalf of V-Apparel International Limited to Rocwide Limited as at the date of the Rocwide Agreement. Rocwide Limited owned 60% of Jiangmen Factory as at the date of the Rocwide Agreement. Following completion of the Rocwide Agreement on 7 April 2010, Jiangmen Factory became our wholly-owned subsidiary.

In preparing the financial information, our Group has adopted the principle of merger accounting for business combination involving entities under common control. Accordingly, Jiangmen Factory has been accounted for as a 60% subsidiary during the Track Record Period until 18 November 2009 and as a wholly-owned subsidiary thereafter.

CSG Apparel Inc.

On 11 January 2001, CSG Apparel Inc. was incorporated in Canada to function as FG International's overseas representative in Canada to serve our customers in Canada. CSG Apparel Inc. was authorised to issue an unlimited number of common shares, and of which one common share was issued to the then shareholder of FG International, an Independent Third Party. The one common share was later transferred to FG International on 1 April 2001 following the acquisition of interest in FG International by the VC Group.

FG Holdings

FG Holdings was incorporated in the BVI on 28 May 2002 to act as the holding company of our then Group. It has an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 49 shares were issued to Merlotte and 51 shares were issued to VC Investments. FG Holdings was owned as to 49% by Merlotte and as to 51% by VC Investments, respectively, since its incorporation and before the Reorganisation. The entire issued share capital of FG Holdings was transferred to our Company in the Reorganisation, details of which are set out in the section headed "Reorganisation" in this prospectus.

Top Star Limited

On 8 November 2002, Top Star Limited was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was issued to Company Kit Registrations Limited, which was later transferred to FG Holdings on 18 November 2002 and one share was issued to Company Kit Secretarial Services Limited, which was later transferred to Mr. Li on 18 November 2002, who held such one share on trust for FG Holdings. Since 18 November 2002 and up to the Latest Practicable Date, Top Star Limited had been an investment holding company and had been beneficially wholly-owned by FG Holdings (with one share owned by FG Holdings and one share held by Mr. Li on trust for FG Holdings).

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Value Plus (Macao Commercial Offshore) Limited

On 18 November 2002, Value Plus (Macao Commercial Offshore) Limited was incorporated in Macau to provide quality inspection services to our customers. Its registered capital was Macau Pataca (MOP) 100,000, all of which was issued to, and paid up by FG Holdings. Since its incorporation and up to the Latest Practicable Date, Value Plus (Macao Commercial Offshore) Limited had been wholly-owned by FG Holdings.

Glory Time Limited

On 3 May 2004, Glory Time Limited was incorporated in Hong Kong to engage in garment trading business. It has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was issued to Gold Regal Development Limited, which was later transferred to FG Holdings on 30 June 2004. On the same day, 69 shares of Glory Time Limited were issued to FG Holdings and 30 shares were issued to Doncan Limited, which is a nominee company whose beneficiary is Mr. Yiu Kit Kee, the cousin of Mr. Choi and an employee of our Group. Since 30 June 2004 and up to the Latest Practicable Date, Glory Time Limited had been owned as to 70% by FG Holdings and as to 30% by Doncan Limited.

Surefaith Limited

On 26 April 2005, Surefaith Limited was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, among which 10 shares were issued to FG Holdings. Since its incorporation and up to the Latest Practicable Date, Surefaith Limited had been wholly-owned by FG Holdings. Surefaith Limited had been the holding company of PT. Victory Apparel Semarang up to the Latest Practicable Date.

Wealth Choice Limited

On 26 April 2005, Wealth Choice Limited was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 10 shares were issued to FG Holdings. Since its incorporation and up to the Latest Practicable Date, Wealth Choice Limited had been wholly-owned by FG Holdings. Wealth Choice Limited had been the holding company of Victory Apparel (Jordan) Manufacturing Company Limited up to the Latest Practicable Date.

Top Value Inc.

On 27 May 2005, Top Value Inc. was incorporated under the laws of New York, the U.S.. It was authorised to issue 200 common shares without par value, of which 200 shares were issued to FG Holdings. Since its incorporation and up to the Latest Practicable Date, Top Value Inc. had been wholly-owned by FG Holdings and it provided importing services arrangement and other customer support and marketing services for our customers in the U.S..

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Rocwide Limited

On 6 June 2005, Rocwide Limited was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, among which 10 shares were issued to V-Apparel International Limited, a wholly-owned subsidiary of VC. Following completion of the Rocwide Agreement (details of which were set out in the paragraph headed “Jiangmen Factory” of this section) and up to the Latest Practicable Date, Rocwide Limited had been directly wholly-owned by FG Holdings.

PT. Victory Apparel Semarang

On 26 September 2005, PT. Victory Apparel Semarang was established in Indonesia with a basic capital of IDR 3,135,000,000 (equivalent to US\$300,000 based on the then exchange rate of USD and IDR) divided into 300,000 preferred shares of IDR 10,450 (equivalent to US\$1.00 based on the then exchange rate of USD and IDR) each, of which one share was issued to Mr. Li, who held the one share on trust for Surefaith Limited, and 299,999 shares were issued to Surefaith Limited. PT. Victory Apparel Semarang is principally engaging in manufacturing of garment products and operates our Indonesian Factory. Since its incorporation and up to the Latest Practicable Date, PT. Victory Apparel Semarang had been beneficially indirectly wholly-owned by FG Holdings.

Mayer

On 4 January 2006, Happy Lane Limited was incorporated in Hong Kong with an authorised issued share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was issued to Gold Regal Development Limited. On 6 March 2006, Gold Regal Development Limited transferred the one share in Happy Lane Limited to FG Holdings at a consideration of HK\$1.00. On the same date, 50 shares were issued to FG Holdings and 49 shares were issued to Mr. Lau. On 15 March 2006, Happy Lane Limited changed its name to Mayer. Mayer was principally engaging in garment trading business. Since 6 March 2006 and up to the Latest Practicable Date, Mayer had been owned as to 51% by FG Holdings and 49% by Mr. Lau.

FG Shanghai

On 7 February 2006, FG Shanghai was established in the PRC with a registered capital of RMB1,000,000 and a total investment of RMB1,428,000, respectively, and the entire interest of it was held by FG International. The registered business scope of FG Shanghai included the import and export, wholesale and commissioned agency (excluding auction) of garment (apparel) and its raw and supplementary material and other relevant accessory services and business consultation. The Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC (the “**Certificate of Approval**”) and the business licence were granted to FG Shanghai on 17 January 2006 and 7 February 2006 respectively. As at 19 April 2006, the paid-up capital of FG Shanghai amounted to RMB1,000,000. All such capital was contributed by FG International.

The scope of business of FG Shanghai was extended to cover import and export, wholesale and commissioned agency (excluding auction) of general merchandise, jewellery (rough diamond and cut diamond excluded), garment (apparel) and its raw and supplementary material, other relevant accessory service and business consultation. Approval for such extension of scope of business was obtained on 30 April 2008 from the relevant PRC governmental authority and the relevant Certificate of Approval and business licence were granted to FG Shanghai on 22 May 2008 and 23 June 2008 respectively.

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福之源貿易(上海)有限公司深圳分公司, the branch company of FG Shanghai, was established in the PRC on 14 January 2008. The registered business scope of this branch company included wholesale and commissioned agency (excluding auction) of garment (apparel) and its raw and supplementary material and other relevant accessory service and business consultation. This branch company remained dormant since its incorporation.

Victory Apparel (Jordan) Manufacturing Company Limited

Wealth Choice Limited acquired the entire equity interests in Victory Apparel (Jordan) Manufacturing Company Limited on 6 September 2006. Victory Apparel (Jordan) Manufacturing Company Limited has an authorised share capital of Jordanian dinar 50,000 and all of which were issued and owned by Wealth Choice Limited since 6 September 2006 up to the Latest Practicable Date.

Victory Apparel (Jordan) Manufacturing Company Limited operates our Jordan Factory which serves as the manufacturing arm of our Group in Jordan until 2008 when we decided to re-deploy our resources and concentrate our manufacturing functions in the PRC Factory and the Indonesian Factory. Except for leasing the Jordan Factory to an Independent Third Party, Victory Apparel (Jordan) Manufacturing Company Limited did not carry on any business operations.

Gojifashion Inc.

On 5 October 2006, Gojifashion Inc. was incorporated in Canada and it was authorised to issue an unlimited number of class “A” common shares and class “B” common shares without nominal or par value and unlimited number of preferred “A”, preferred “B”, preferred “C” and preferred “D” shares without nominal or par value, of which 100 class “A” common shares were issued to 4352785 Canada Inc., an Independent Third Party and 100 class “A” common shares were issued to FG Holdings. Since its incorporation and up to the Latest Practicable Date, Gojifashion Inc., a jointly controlled entity, had been owned as to 50% by 4352785 Canada Inc. and 50% by FG Holdings. Gojifashion Inc. was incorporated to engage in the business of creation, development and sale of knitwear and sportswear in Canada and the U.S. and it has remained dormant since 2008.

Brilliant Fashion Inc.

On 25 August 2009, Brilliant Fashion Inc. was incorporated under the laws of New York, the U.S. intended for the purpose of providing importing services arrangement and other customer support and marketing services to our customers there. It was authorised to issue 100 common shares without par value, of which 100 shares were issued and allotted to FG Holdings. Since its incorporation and up to the Latest Practicable Date, Brilliant Fashion Inc. had been wholly-owned by FG Holdings.

FG Shenzhen

On 15 December 2009, FG Shenzhen was established in the PRC with a registered capital of HK\$3,000,000 and a total investment of HK\$4,250,000, respectively, and the entire interest of it was held by FG International. It was established to provide business supporting services to our Group. The principal business activities of FG Shenzhen included commodity information consultation, quality control and quality management services, supply chain management information service,

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logistic consultation and marketing planning. The Certificate of Approval and the business licence was granted to FG Shenzhen on 10 December 2009 and 15 December 2009 respectively. As at 22 January 2010, the paid-up capital of FG Shenzhen amounted to HK\$1,000,000. All such capital was contributed by FG International. The remaining registered capital of HK\$2,000,000 is required to be paid up by 15 December 2011.

福源創業信息諮詢服務(深圳)有限公司分公司, the branch company of FG Shenzhen, was established in the PRC on 26 February 2010. The principal business activities of this branch company included commodity information consultation, quality control and management services, supply chain management information services, logistics consultation and sales and marketing planning.

Happy Noble Holdings Limited

Happy Noble Holdings Limited was incorporated in the BVI on 15 July 2010 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, among which 70 shares were issued to FG Holdings. Since its incorporation and up to the Latest Practicable Date, Happy Noble Holdings Limited had been wholly-owned by FG Holdings. Happy Noble Holdings Limited had been the holding company of Sky Winner Investment Limited up to the Latest Practicable Date.

Sky Winner Investment Limited

On 11 February 2010, Sky Winner Investment Limited was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 11 February 2010, one share was allotted to Acota Services Limited and such share was transferred to an Independent Third Party. On 16 March 2010, 99 shares in Sky Winner Investment Limited were allotted and issued to four Independent Third Parties, together with the aforesaid one share, Sky Winner Investment Limited was owned by such four Independent Third Parties as to 50%, 17%, 17% and 16% respectively. On 24 August 2010, such four Independent Third Parties transferred their entire interests in Sky Winner Investment Limited to Happy Noble Holdings Limited at a consideration of HK\$100. As at the Latest Practicable Date, Sky Winner Investment Limited was wholly-owned by Happy Noble Holdings Limited. It is intended that Sky Winner Investment Limited will acquire the business assets and operate the “teelocker” business, please refer to the paragraph headed “Retail market expansion” of the section headed “Business” in this prospectus for more details.

Our Company

For the purpose of Listing, our Company was incorporated on 3 March 2010 in Bermuda as an exempted company with limited liability, which became the listing vehicle of our Group as a result of the Reorganisation. Details of the Reorganisation are set out in the section headed “Reorganisation” in this prospectus.

For charts illustrating the shareholding structure of our Group (i) immediately prior to the Reorganisation; (ii) after the Reorganisation and immediately prior to the Global Offering and the Capitalisation Issue; and (iii) following completion of the Capitalisation Issue and the Global Offering (assuming that no Shares have been issued pursuant to the exercise of any option granted or which may be granted under the Share Option Scheme), please refer to the section headed “Reorganisation” in this prospectus.

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OUR BUSINESS HISTORY

In 1996, FG International was set up by its then shareholders as a general trading company. After the joining of Mr. Choi and Mr. Ng Tsze Lun in 1998, the garment trading business of FG International started to expand. At that time, we were a garment trading company without our own manufacturing facilities and we relied on garment factories in the PRC and Hong Kong to manufacture the garment products required. We sold garment products to importers in the U.S., and to department stores in the U.S. and in Canada. Revenue was mainly generated from customers in the U.S. and Canada, while the remaining revenue was contributed by customers in other countries including the U.K. and Mexico.

To obtain the benefit of cheaper labour costs and more favourable quota treatment, we started to diversify our garment sourcing bases from the PRC and Hong Kong to other places including Cambodia in 1999.

In January 2001, CSG Apparel Inc. was incorporated in Canada to function as FG International's overseas representative in Canada to serve our customers in Canada.

The promising business prospect of FG International had attracted the VC Group, which intended to expand its garment and fabric business by vertical integration. After the acquisition of 51% interest in FG International in April 2001 by the VC Group, the VC Group provided strong support to us in our development in terms of financial resources, fabric supply and business supporting.

With the fabric manufacturing capabilities of the VC Group, we expanded our businesses to provide garment sourcing management services to our customers and we continued to expand our customer base. During the two financial years ended 31 March 2007, our customer base expanded to include two companies, which belong to two groups of companies and a member of each of such group owns famous garment brands.

In 2007, we started to provide importing services arrangement for our customers through our subsidiary established in the U.S., Top Value Inc.. Under such arrangement, products required by our customers are delivered "door-to-door" from our facilities or the facilities of our sub-contract manufacturers to our customers' desired location at the aggregate cost of production, transportation, appropriate customs duties and taxes. Such importing services arrangement is used by our U.S. customers.

We were equipped with manufacturing capacity when the VC Group acquired 60% equity interest in Jiangmen Factory in January 2006. We also established our own garment manufacturing facilities in 2005 in Indonesia. In December 2005, we established PT. Victory Apparel Semarang in Indonesia to carry on the business of garment manufacturing. We further expanded our garment manufacturing facilities to Jordan in 2006 when we acquired the entire interest of Victory Apparel (Jordan) Manufacturing Company Limited. In 2008, we decided to re-deploy our resources and concentrate our manufacturing functions in the PRC Factory and the Indonesian Factory and we ceased our manufacturing activities in Jordan. Since then, Victory Apparel (Jordan) Manufacturing Company Limited did not carry on any business operations except for leasing the Jordan Factory to an Independent Third Party.

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In 2006, we established Gojifashion Inc. in Canada to engage in the business of creation, development and sale of knitwear and sportswear in Canada and the U.S..

Other than sourcing of garment products, we also sourced other miscellaneous items such as hats, scarves, handbags, purses and gloves. These miscellaneous items are mainly sold to megastores and supermarket chains in China. In February 2006, FG Shanghai was set up to carry out the sourcing of these miscellaneous items for our customers.

On 25 August 2009, Brilliant Fashion Inc. was incorporated under the laws of New York, the U.S., we intend to provide customer support and marketing services to our customers in the U.S. through this company.

Our manufacturing capability was further expanded when we acquired 40% interest in Jiangmen Factory in November 2009 from five Independent Third Parties. After completion of the acquisition, Jiangmen Factory was owned as to 40% by us and the remaining 60% by the VC Group.

To enhance our control over the PRC Factory and to further delineate the fabric business and the garment business of VC and its subsidiaries, in April 2010 we acquired the entire issued capital of Rocwide Limited which in turn owned 60% interest in Jiangmen Factory. Since then, Jiangmen Factory has become our wholly-owned subsidiary.

We now have our own production facilities located in the PRC and Indonesia, which has enabled us to position ourselves as a sourcing management company with both production and sourcing capabilities.

In 2010, we started to develop our “夢仕臣” (Monstons) brand underwear and homewear products. We have been receiving orders from large chain supermarkets for “夢仕臣” (Monstons) brand products on a consignment sales basis since July 2010. Retail sales of the same products commenced in August 2010 at approximately 200 sales points in various large chain supermarkets in the PRC.

On 8 September 2010, we entered into a business transfer agreement for the acquisition of an effective 70% interests in certain business assets relating to the production and sales of apparel products under the business name “teelocker” and it is expected that, upon completion of such acquisition, we will continue to operate such business under the name “teelocker”.

For future particulars, please refer to the paragraph headed “Retail market expansion” of the section headed “Business” in this prospectus.