Investing in the Shares involves a high degree of risk. You should carefully consider each of the risks described below and all of the other information contained in this Prospectus before deciding to purchase the Shares. You should be aware that our subsidiaries in China are governed by a legal and regulatory environment that differs significantly from that in other countries. If any of the following risks occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that case, the trading price of the Shares could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition, results of operations and prospects.

There are certain risks involved in our operations and many of these risks are beyond our control, which can be characterized as: (i) risks relating to our business operations; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Global Offering and our Shares.

RISKS RELATING TO OUR BUSINESS OPERATIONS

We rely heavily on our Hosa™ brand and any failure to effectively promote or maintain our Hosa™ brand may materially and adversely affect our future success.

We sell our products under our *Hosa*™ brand. Our *Hosa*™ brand is critical for our success as we believe that market perception and consumer acceptance of a brand is a determining factor of consumers' purchase decisions for indoor sportswear products. We have established and maintained our *Hosa*™ brand as an indoor sportswear brand that aims to provide complete satisfaction in the functionality, comfort and style of our products, primarily targeting the fast-growing, up-and-coming consumer group between the ages of 20 and 40 with rising health consciousness and spending power. We spent approximately RMB8.3 million, RMB4.8 million and RMB9.2 million on our advertising and promotion activities from continuing operations for the years ended 31 December 2008, 2009 and 2010, respectively, accounting for approximately 33.9%, 20.1% and 31.5% of total selling and distribution expenses from continuing operations and approximately 4.0%, 3.0% and 2.6% of our total revenue from continuing operations for such respective periods. If we are unsuccessful in promoting our *Hosa*™ brand or fail to maintain our brand position and market perception, consumer acceptance of our *Hosa*™ brand may erode, and our business, financial condition, results of operations and prospects may be materially and adversely affected. In addition, as we promote our *Hosa*™ brand and image through sponsorships of various expositions, pageant events and contests, we are dependent on market perception and consumer acceptance of these events, over which we have no full control. In addition, we are currently entitled to use trademarks under 14 categories under China's trademark classification system while such trademark is used by Hosa Fitness Gyms under the category relating to gymnasium and club operations. The use of such trademark by Hosa Fitness Gyms may subject our *Hosa*™ brand to potential dilution or damage and the resemblance of brand name and trademark between us and Hosa Fitness Gyms may cause confusion among the consumers, which may also have a negative impact on the market perception of our *Hosa*™ brand and our reputation.

Any negative publicity or disputes relating to our *Hosa*™ brand, products, sponsorship activities or management, the loss of any award or accreditation associated with our *Hosa*™ brand or products or the use of the "*Hosa*" trademark or brand name by other businesses could materially and adversely affect our business, financial condition, results of operations and prospects.

Our success depends on our ability to anticipate and respond in a timely manner to the rapid changes in consumer tastes and advances in technologies.

Our success depends on the market perception and consumer acceptance of our *Hosa*™ brand and our products, which in large part, rely on our ability to anticipate and respond to different consumer tastes in a timely manner. We strive to do so by incorporating the latest global fashion trends, fabric and pattern technologies and consumer preferences into our designs and introducing new products within a short lead time. This requires us to continuously create new products and modify existing products in order to attract and retain consumers. If we are unable to utilize new technologies and processes, anticipate and respond to market and fashion trends and consumer preferences in a timely manner, demand for our *Hosa*™ products may decrease. Our business would also suffer if our product creations or modifications do not respond to the needs of our customers, are not appropriately timed with market opportunities or are not effectively brought to market. Any failure by us to offer products that respond to changing market and fashion trends and consumer preferences, or any shift in market or fashion trends and consumer preferences away from our *Hosa*™ brand and our products, could adversely affect consumer interest in our products. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We operate in a competitive market and the intensified competition we face may result in a decline in our market share and lower profit margins.

Currently, our swimwear, fitness wear and sports underwear products face different levels of competition in their respective market sector. In particular, the swimwear market is facing intense competition from both international and domestic brands given the high homogeneity of swimwear products and a number of large manufacturers with strong brand recognition and high-quality products. As the indoor sportswear market is ever-evolving and competitors with similar brand positioning may emerge and intensify the current competition, there can be no assurance that we will be able to compete effectively against competitors who may have greater financial resources, greater scales of production, superior technology, better brand recognition and a wider, more diverse and established distribution network. To compete effectively and maintain our market share, we may be forced to, among other actions, reduce prices, provide more sales incentives to our distributors, and increase capital expenditures, which may in turn negatively affect our profit margins, business and financial conditions and results of operations.

Our limited operating experience with a distributorship business model and our failure to effectively handle the risks associated with our distributorship arrangement may materially and adversely affect our business.

Prior to 2006, Haosha Garments operated the *Hosa*™ brand indoor sportswear business and sold substantially all *Hosa*™ products directly to end-consumers through concessionary retail outlets at department stores. Since late 2007, Haosha Industry, our core subsidiary, began to operate the *Hosa*™ indoor sportswear business and we gradually shifted our business model to distributorship. Under the new distributorship business model, we sell our *Hosa*™ products on a wholesale basis to distributors who subsequently sell our products to end-consumers through Hosa retail outlets directly operated by our distributors or to sub-distributors. As our distributorship business model is relatively new to us, our limited experience using this model may make it difficult for us to identify and address all the challenges that we may encounter in the different stages of developing and implementing this new business model.

In addition, in 2010 we engaged a distributor to distribute our products through online sales. Our sales to this distributor in 2010 were RMB25.8 million. We plan to develop more online shopping channels in the next few years that would be operated by our distributors. Though online shopping has become increasingly popular worldwide, it falls under a less-regulated and disputable area in the PRC. As a result, we may not be successful in implementing online distribution channels and our efforts may not be profitable.

Our business and prospects should be considered in light of the risks and difficulties we may face, given our limited operating experience with the distributorship business model, including online distributorship. Furthermore, the significant growth and expansion of our distribution network and our results of operations during the Track Record Period may not be indicative of our future growth and financial performance and we cannot assure you that the significant growth we experienced during the Track Record Period, particularly in 2010, will be sustainable or achieved at all in the future. If we are unable to successfully handle these risks and difficulties, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We rely on a small number of customers for a significant portion of our sales and our failure to maintain good relationships with our distributors may adversely affect our business.

During the Track Record Period, we have been gradually shifting our business model to distributorship under distributorship agreements which generally have a term of one year. As of 31 December 2011, our customers included 13 distributors and, as of 31 May 2011, we have increased the number of our distributors to 27. For the year ended 31 December 2008, 2009 and 2010, sales to our top five customers accounted for approximately 66.5%, 56.4% and 43.0%, respectively, of our total revenue from continuing operations. Sales to our largest customer in each year accounted for 23.7%, 23.1% and 10.1% of our total revenue from continuing operations for the same period, respectively. As we do not have long-term agreements with our distributors, it is possible that their agreements with us will not be renewed on favorable terms or at all. In addition, due to the transition of our business model and the integration of our distribution network in the past few years, the history of our relationship with our current 27 distributors is relatively short and limited. If any of our distributors terminates or does not renew its distribution agreement with us, we may not be able to replace such distributor with a new and effective distributor in a timely manner, on terms acceptable to us, or at all. Furthermore, any new replacement distributor may not be able to oversee the same network of retail outlets on a similar scale as the replaced distributor. In addition, the distributorship agreements require our distributors to meet minimum purchase targets, but there is no assurance that such target will be met. If our distributors do not place orders at historical levels, that meet the minimum purchase targets agreed to or at all, or if any major distributor substantially reduces its volume of purchases from us or ceases its business relationship with us, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We rely primarily on our distributors to expand our retail network and oversee sub-distributors and their failure to do so may materially and adversely affect our business.

We intend to expand our distribution network to include additional cities in urban areas throughout China. To accomplish this, we require each distributor to establish a minimum number of new Hosa retail outlets during the term of its distribution agreement with us. As a result, we rely on our distributors to implement our expansion plans. If our distributors fail to satisfy their expansion requirements, we may be unable to meet our expansion goals and achieve our desired growth.

As of the Latest Practicable Date, we mainly sold our products to distributors, who subsequently distributed our products to sub-distributors or end-consumers. The sub-distributors enter into separate agreements with our distributors and are specifically authorized by our distributors, with our consent, to exclusively sell our *Hosa*™ products in retail outlets. While we do not maintain direct contractual relationships with sub-distributors and therefore have no direct control over sub-distributors, we rely on our distributors to oversee and ensure sub-distributors' adherence to our policies with respect to operational requirements, exclusivity, customer service, store image, promotional plan and pricing. The sub-distributors' failure to comply with our policies, such as aggressive discounting of the retail price of our products, could result in the erosion of goodwill, a decrease in the market value of our *Hosa*™ brand and an unfavorable public perception about the quality of our products, which in turn could result in a material adverse effect on our business, financial condition, results of operation and prospects.

Our ability to accurately track the sales and inventory levels of our distributors and sub-distributors may be limited.

We plan to commence trial operations of our DRP system by the end of 2011, the implementation of which will enable us to automate and integrate the flow of sales information in our sales and distribution network. As we have not launched our DRP system yet or implemented such system for our distributors and sub-distributors or at retail outlets of our products, our current ability to track the sales by our distributors and sub-distributors, and consequently their respective inventory levels, may be limited. As we do not have contractual relationships with our sub-distributors, our distributors are responsible for tracking the sales and inventory levels at Hosa retail outlets operated by themselves or their sub-distributors and submitting regular sales reports to us. In addition, we have six regional sales teams which regularly conduct on-site inspections at our distributors and Hosa retail outlets from time to time. Also, by tracking inventory levels of our distributors, we gather information and data regarding the market acceptance of our products, and such information and data enable us to reflect consumer preferences in the design and development of our products and to adjust our marketing strategy if needed. However, such arrangement requires the cooperation of our distributors in accurately and timely reporting the relevant data to us, and we may not be able to ensure the accuracy of the data provided by them or collected by us. In light of the foregoing, we may not be able to accurately track their sales and inventory levels, or identify or prevent any excessive inventory build-up at these retail outlets, any of which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our distributors and sub-distributors primarily operate Hosa retail outlets through department stores. Failure to secure retail spaces within the department stores on commercially reasonable terms could have a material and adverse effect on us.

As of 31 December 2010 and 31 May 2011, our distributors or sub-distributors operated 562 and 762 retail outlets within department stores nationwide, comprising approximately 84.4% and 84.3% of our total retail outlets, respectively. Since we have no control over our distributors or sub-distributors' practice of obtaining retail spaces within department stores, we cannot assure you that they will be able to secure such retail spaces on commercially acceptable terms or at all. Nor can we assure you that they will be able to renew the existing concessionaire agreements with department store operators upon expiry or on acceptable terms and conditions. If such agreements are not renewed, our distributors and sub-distributors may not be able to find alternative locations in areas that offer similar business environments, and our competitors may move into such retail spaces previously occupied by our customers. As a result, our sales performance may be materially and adversely affected.

We may experience delays in collecting trade and bill receivables from our customers and our financial condition and results of operations could be materially and adversely affected.

During the Track Record Period, we had sold the majority of our *Hosa*™ products to our distributors. Although there were no specific clauses relating to payment terms in most of our distribution agreements signed before 2011, in general, we had a mutual understanding with our distributors that outstanding trade receivables shall be settled within 60 to 90 days. Since April 2011, the credit period we have been granting to our distributors is generally 90 days. The exact terms of payment period are determined on a distributor by distributor basis, based on, among others, credit history, market conditions, prior year's purchases and estimated purchases for the coming year as well as the funding needs of the distributor in expanding its sales network. In addition, there were instances when we granted payment extensions to certain of our distributors with good credit history and larger operational scale, which resulted in payments being made to us up to 180 days after the date of delivery of our *Hosa*™ products. We perform ongoing credit evaluations of our distributors' financial condition and generally require no collateral from them to secure their payment obligations. As of 31 December 2008, 2009 and 2010, approximately 2.9%, 5.5% and 3.7% of our trade and bill receivables, net of allowance for doubtful debts, had been outstanding for more than six months but within one year and approximately 0.8%, nil and 0.001% of our trade and bill receivables, net of allowance for doubtful debts, had been outstanding for more than one year, respectively. As our sales increase, we expect that the amount of trade receivables from our distributors will increase. In addition, as we implement our expansion plans and require our distributors to increase the number of retail outlets, we may decide to lengthen the credit periods we grant to our distributors. If our trade and bill receivables cycles or collection period lengthen further or if we encounter a material default of payment, our liquidity, cash flows from operations and financial condition could be materially and adversely affected.

We recorded negative operating cash flows in 2008 and 2009, and recorded positive operating cash flows in 2010, and we cannot assure you that we will record positive operating cash flows again in the future.

We recorded negative operating cash flows of RMB35.1 million and RMB68.4 million in 2008 and 2009, respectively, and positive operating cash flows of RMB107.4 million in 2010. The primary reasons for our negative operating cash flows in 2008 and 2009 were the increase in inventories as a result of an increase in purchases of raw materials, and the increase in trade and bill receivables as we made more sales to our distributors, both of which were primarily due to the expansion of our business operations in 2008 and 2009. Following the improvement of our inventory management and trade receivables collection, we recorded positive operating cash flows in 2010. However, we cannot assure you that we will continue to record positive operating cash flows in the future. Our liquidity and working capital sufficiency may be materially and adversely affected by any future negative operating cash flows. For details of our indebtedness and liquidity, financial resources and capital structure, please refer to the section headed "Financial Information" in this Prospectus.

Disruption of our manufacturing operations could have a material and adverse effect on us.

Our ability to meet the demand of, and our contractual obligations with, our distributors, as well as our ability to grow our business, is heavily dependent on efficient, proper and uninterrupted operations at our facilities. Problems may arise during the manufacturing process for a variety of reasons, including power failures or disruptions, the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment and the destruction of buildings, equipment and other facilities due to fire or natural disasters such as typhoons or earthquakes, and would severely affect our ability to continue our operations. We could also experience labor disputes or strikes in the future which could negatively affect or even halt our operations. As of the Latest Practicable Date, we did not have any business interruption insurance and our insurance policies may not be sufficient to compensate us for the actual cost of replacing such buildings, equipment and infrastructure. Any such events and any losses or liabilities that are not covered by our current insurance policies could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Expansion of our production capacity may not be successful.

Our future growth depends on whether we are able to expand our production capacity and our ability to meet the increasing demand for our products. Our current production facilities are located in Jinjiang, Fujian Province and had an annual production capacity of approximately 6.7 million pieces of swimwear, fitness wear and sports underwear products for the year ended 31 December 2010. We plan to gradually increase our production capacity by adding new production lines for our swimwear, fitness wear and sports underwear products, as well as upgrading our existing manufacturing facilities by acquiring advanced equipment and machinery. Through our increased production capacity, we expect to continue to produce *Hosa*™ indoor sportswear products at our own facilities to meet the growing demand for our products and to benefit from related economies of scale. However, our new production lines may not operate at full capacity immediately and may not be able to produce all of our products in the short term to meet growing demand, and as such, we may have to rely on our contract manufacturers more than we have in the past for the production of a portion of our indoor sportswear and accessories products. During the Track Record Period, we outsourced part of our production processes for swimwear, fitness wear and sports underwear products to contract manufacturers and procured a small portion of finished indoor sportswear and accessories products from external sources and, as a result, our production capacity is reliant on these relationships. If we are not able to maintain stable relationships with our contract manufacturers or fail to find alternative sources for production services and certain finished products, we may not be able to deliver our products on time to meet market demand, particularly given our substantial growth plans. As a result of the foregoing factors, if we are unable to continue to successfully increase our production capacity due to, among other things, insufficient financial resources, a shortage of labor or the inability to engage suitable contract manufacturers to supplement our production capacity, our future business prospects and results of operations may be materially and adversely affected.

We are dependent on suppliers for our raw materials and on our contract manufacturers for the production of a portion of our indoor sportswear and all of our accessories products.

During the Track Record Period, we obtained the majority of our raw materials from domestic suppliers and to a lesser extent from overseas suppliers. For the years ended 31 December 2008, 2009 and 2010, our five largest suppliers accounted for approximately 42.5%, 24.7% and 64.6% of our total purchases from suppliers, respectively, and our largest supplier for each year accounted for approximately 25.5%, 6.9% and 32.9% of our total purchases from suppliers, respectively. Also, certain production procedures of our indoor sportswear products were carried out by our outsourced contract manufacturers and a small portion of our swimwear, fitness wear and sports underwear products and all of our accessories products were procured from external sources.

As we expect that our business and revenue will continue to grow in 2011, our need for raw materials and our reliance on contract manufacturers will also continue. Therefore, any issue associated with the production facilities or processes of our raw materials suppliers or contract manufacturers could result in our failure to produce an adequate number of products meeting the required quality standards. If any such event occurs, we could be required to recall products previously dispatched, delay delivery of products, or be unable to supply products at all. Defective products could also materially and adversely affect our reputation and brand image. In addition, we may need to record periodic losses associated with manufacturing failures or other production-related costs that are not absorbed into inventory, or incur costs to secure additional sources of capacity.

A number of factors could cause prolonged interruptions in the operations of our raw material suppliers and contract manufacturers' production facilities, including:

- equipment obsolescence, malfunction or failure;
- damage to a facility, including warehouses and distribution facilities due to natural disasters;
- a raw material supplier's or a contract manufacturer's going out of business or failing to provide raw materials or manufactured products as contractually required;
- the inability of a supplier to provide raw materials used to manufacture our products;
- changes in the law that require modifications to manufacturing processes;
- labor disputes; and
- other similar factors.

Difficulties or delays in our raw material suppliers and contract manufacturers' supply and manufacture of existing or new raw materials and products could increase our costs, cause us to lose revenue or market share and damage our reputation, any of which could have a material and adverse effect on us.

In addition, we do not enter into long-term supply agreements with our raw material suppliers or contract manufacturers. We enter into separate purchase contracts with our contract manufacturers, in which we set out the terms regarding the price, purchase quantity, delivery, payment, settlement and confidential obligations regarding our proprietary design and technology when applicable. Therefore, we can give no assurance that our existing raw material suppliers or contract manufacturers will continue to accept our future purchase orders on the same or similar terms (including prices and quantities), or at all. We can also give no assurance that we would be able to find other raw material suppliers or contract manufacturers to supply the same or similar types and quantities of raw materials or finished products should we lose the services of any of our existing raw material suppliers and contract manufactures. Any disruption to the supply of, or unfavorable changes in the prices or quality of, the raw materials or finished products we source from, or terms of agreement with, our raw materials suppliers or contract manufacturers could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We may be materially and adversely affected by increases in the market prices of raw materials.

The principal raw materials used in the production of our indoor sportswear products are fabrics, threads and ancillary clothing materials. The costs of our raw materials are subject to fluctuation and are affected by several factors, such as fluctuations in commodity prices (including crude oil prices, in the case of polyamide fibers and terylene fabrics, and cotton), our purchase volume, market demand for the raw materials and availability of substitute materials. As increased costs for raw materials result in increased production costs for our products, we strive to pass through increased costs to our customers. Fluctuations in the costs of our raw materials and our inability to pass on any increases in raw material costs to our customers may materially and adversely affect our cost of sales, gross profit margins and profitability. Furthermore, even if we do successfully pass along these costs, demand for our products may decline as a result of the increased costs, which may materially and adversely affect us.

We are subject to certain risks relating to the transportation and warehousing of our products.

The delivery of finished products from our headquarters to the leased/owned warehouses of our distributors is carried out by third-party transport operators. Such delivery services could be suspended and thus interrupt the supply of our finished products if unforeseen events occur which are beyond our control, such as poor handling and damage to our finished products, transportation bottlenecks, natural disasters or labor strikes. If our finished products are not delivered to specified warehouses on time, or are delivered in a damaged state, we may experience a delay in delivery of the products to our distribution channels. Although we may not be required to pay compensation for such delayed deliveries, our market reputation and profitability could be materially and adversely affected.

In addition, we typically store our raw materials in the warehouses of our headquarters for subsequent manufacturing. Likewise, finished products are also stored in our warehouses before being delivered. If fire or other accidents occur, thus causing damage to our raw materials and finished products, we may be unable to supply finished products to our distribution channels on time, and our market reputation and profitability could be materially and adversely affected.

If we are unable to optimize and adjust our product mix, our sales may fluctuate and our profit margins may decline substantially.

Our ability to achieve and maintain increased profitability depends on our ability to optimize and adjust our product mix. We offer a wide range of branded indoor sportswear products, including swimwear, fitness wear, sports underwear and accessories. We continuously monitor and improve our product mix and develop new products that we believe will generate higher customer demand and increase our revenue and profit margin. During the Track Record Period, we underwent an improvement of our product mix and positioning in all product categories and increased the selling prices of selected products, thereby increasing our overall revenue and profit margins. We will continue to adjust our product mix and enhance our product positioning in an effort to increase our revenue and gross profit. As we adjust our product mix, our gross profit may be affected both by any change in revenue and by any change in cost of sales attributable to each operating segment representing different product categories. If we are unable to optimize and adjust our product and business mix, our sales may fluctuate and our profit margins may not meet expectations.

Our leased property in the PRC may be subject to legal irregularities.

As of Latest Practicable Date, we leased two office units in a building in Beijing with a total gross floor area of approximately of 803.8 sq.m. for office use. The property has been leased to us at a monthly rent of RMB152,714.4 for a term of three years expiring on 7 July 2013. Details of the property are set out in no. 2 in the section headed "Appendix IV — Group II — Property leased by the Group in the PRC" in this Prospectus. The building was mortgaged to a commercial bank before we entered into the lease agreement. Pursuant to a certificate issued by the mortgagee, the mortgagee has agreed that the mortgagor has the right to lease any part of the building conditional upon the mortgagor's compliance with the relevant loan and mortgage agreements. If the mortgagee enforces its right under the mortgage during the lease period and the building is transferred to a third party, the lease agreement will not be held binding against the transferee. Our PRC legal advisers, Jingtian & Gongcheng, have advised that since the lessor did not provide the land use right certificate, they are not able to ascertain whether the lessor is the land use right owner of the leased property. If the lessor is the land use right owner of the leased property or the lessor has obtained approval from the land use right owner for the lease, the lease is valid and binding; otherwise, the lease agreement may not be valid and binding under the PRC laws and regulations and may be subject to challenge by third parties and we might be required to cease our use and occupation of the leased property, in which case we would need to relocate to an alternative premise. Our Directors believe that since the leased area is relatively small and for office use only, an alternative could be located with reasonable efforts within one month and the estimated cost in relation to relocation amounts to approximately RMB200,000. In the event that such relocation is required, our Directors believe that we would not incur material additional costs and our operation would not be materially affected.

Our Controlling Shareholders have also undertaken to indemnify our Group from and against all damages, losses and liabilities made against any member of our Group as a direct or indirect result of or in connection with any title defects on ownership of the property of our Group as set out in the section headed "Appendix IV — Property Valuation" in this Prospectus. Please see the section headed "Business — Properties" in this Prospectus for more details.

Our historical financial performance should not be used as an indicator for future financial performance.

We have experienced revenue and profit growth during the Track Record Period, particularly in 2010, due to the successful promotion of our *Hosa*™ brand, rapid expansion of our distribution network, improved product design, expansion of our range of product offerings, and our new distributorship business model. The number of our retail outlets grew from 505 as of 31 December 2008 to 522 as of 31 December 2009 and to 666 as of 31 December 2010. In 2011, our sales and distribution network further expanded to include 27 distributors, who along with their sub-distributors operated 904 retail outlets as well as online sales platforms in China as of 31 May 2011. Increasing market demand for indoor sportswear products and improving economic conditions in the PRC also contributed to our growth. The 2008 Beijing Olympic Games (2008北京奧運會) and the 2010 Asian Olympic Games (2010亞洲運動會), which increased the PRC public's interest in and awareness of sports and fitness, slightly contributed to our growth in the past three years. We provide no assurance that we will be able to sustain similar financial growth or our historical expansion rate in the future.

We believe we currently enjoy relatively high profit margins due to our competitive cost structure and ability to charge higher prices for our products as compared to similar products offered by our competitors. We can provide no assurance that we will continue to maintain our profit margins if our cost structure increases as a result of, among other factors, increased labor, manufacturing (in-house and outsourced), raw materials or transportation costs. Our profit margins may also be materially and adversely affected if we must, in the face of increasing competition, provide more favorable terms to our distributors, such as higher sales discounts.

We may fail to execute our growth strategy or manage our expanded business.

We plan to continue the active expansion of our sales and distribution network nationwide and to develop and expand our sales coverage in second- and third-tier cities, which are rapidly growing markets for indoor sportswear. As of 31 December 2010, our products were sold at 666 retail outlets nationwide and, as of 31 May 2011, our products were sold at 904 Hosa retail outlets as well as online sales platforms. We aim to increase the number to over 1,200 Hosa retail outlets by the end of December 2011. Our continued growth will impose significant additional responsibilities on our management, including the needs to identify, recruit, train and integrate additional employees, to manage the expansion of our production facilities and to oversee our distribution network. In addition, if we are not able to secure additional funding and financial resources when required, we may not be able to finance our expansion plans. Furthermore, rapid and significant growth may place a strain on our administrative and operational infrastructure, in particular on our internal accounting and financial reporting processes and systems. As our operations expand, we expect that additional resources will be required to manage and oversee new relationships with additional distributors and other parties, including contract manufacturers, raw material suppliers, equipment providers, consultants and others. Our expansion plans will also require us to manufacture and supply more *Hosa*™ products to meet the product supply needs of the growing number of our retail outlets. If we are unable to increase our production capacity commensurate with our growing number of retail outlets, it may be difficult for us to execute our growth strategy. Our ability to manage our operations and growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. If we are unable to effectively manage our growth, including the rapid expansion of the distribution network, it may be difficult for us to execute our growth strategy. A decrease in market demand for our products, and a corresponding drop in the sales of our products could result in an accumulation of inventory in our distribution network and may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, we may fail to execute our growth strategy due to other factors such as an inability to obtain adequate funding and regulatory limitations, many of which are beyond our control.

Our ability to obtain additional financing may be limited, which could delay or prevent the completion of one or more of our strategies.

We have, to date, financed our working capital and capital expenditure needs primarily through capital contributions and bank loans from local banking institutions and from operating cash flows. We expect that both our working capital needs and our capital expenditure needs will increase in the future as we continue to grow our business. Our ability to raise additional capital will depend on the financial success of our current business and the successful implementation of our key strategic initiatives, financial, economic and market conditions and other factors, some of which are beyond our control. No assurance can be given that we will be successful in raising the required capital at reasonable costs and at the required times, or at all. Further equity financings may have a further dilutive effect on our stockholders. In addition, we currently have significant levels of short-term debt in the form of bank loans which may materially and adversely affect our ability to obtain future loans or obtain debt financing. If we require additional debt financing, lenders may require us to agree on restrictive covenants that could limit our flexibility in conducting future business activities, and the debt service payments may be a drain on our free capital allocated for our operation activities. If we are unsuccessful in raising additional capital or if new capital funding costs are higher than our prior capital funding costs, we may not be able to continue our business operations, and advance our development programs.

Our overseas sales may not be successful or profitable.

During the Track Record Period, we had overseas sales of our products to Europe, North America and Southeast Asia based on purchase orders we received from foreign trading companies or wholesalers. Our past overseas sales accounted for 35.5%, 21.4% and 14.7% of total sales in the years ended 31 December 2008, 2009 and 2010, respectively. While we expect our overseas sales as a percentage of our total revenue to continue to decrease in the future as we aim to continue our active expansion in the domestic market, the success and profitability of our overseas sales still face challenges associated with selling products overseas, such as government intervention, industry regulation and legislative limitations in the overseas markets. Due to a lack of overseas financial, marketing and strategic relationships and alliances, brand recognition, and customer loyalty compared with existing competitors, we may not possess competitive advantages in the overseas markets. In addition, recent financial difficulties and economic conditions in the United States, Europe and other regions had led to an economic slowdown and caused our customers to delay, defer or cancel their purchases, and as a result, our overseas sales decreased significantly in 2009. We can provide no assurance that such risks will not be exacerbated in the event of a prolonged global economic downturn. Accordingly, we cannot guarantee that our overseas sales will be successful and profitable in the future.

The decline in popularity of indoor sports or the number of indoor sports facilities and gymnasiums in China could have a material and adverse effect on us.

The indoor sports wear market in China is mainly driven by overall economic growth, rising standards of living and increasing disposable income of urban populations. The increasing exposure of Chinese consumers to the western lifestyle, which places great emphasis on health and exercise, has been driving domestic demand for our *Hosa*™ products. Rising health awareness and growing demand for indoor sports activities among Chinese consumers have also contributed to an increasing number of sports and recreational facilities, fitness gyms and vacation resorts, especially in first-tier cities and particularly since the 2008 Beijing Olympic Games. These facilities are expected to be a key market driver as they are also sales terminals for indoor sports wear products. As of 31 December 2010, we offered our *Hosa*™ products at 62 professional retail outlets, such as clubstores, gyms, swimming pools and vacation resorts. We also strategically leverage the promotion channels of Hosa Fitness Gyms by conducting promotional events and engaging fitness trainers to serve as spokespersons for our brand. If the popularity of indoor sports and the number of indoor sports facilities in China decline for any reason, including but not limited to any economic downturn or the shutdown of our alliance gyms, the sales of our *Hosa*™ products may decrease and, as a result, our business prospects and results of operation may be materially and adversely affected.

End-consumers' demand for our products are subject to seasonality and weather conditions, which could cause our results of operations to fluctuate.

Consumers' demand of swimwear and sports underwear products have historically reflected a certain degree of seasonality, which we expect to continue. In addition, weather conditions, may affect consumers' purchase cycle of swimwear and sports underwear products. Swimwear products usually achieve higher sales for the spring and summer seasons as compared to autumn and winter seasons. In contrast, consumers tend to purchase more sports underwear products during autumn and winter seasons as compared to spring and summer. During the Track Record Period, the seasonality in the consumption of swimwear and sports underwear products at retail outlets was not reflected in our sales, primarily due to the industry practice that we held sales fairs before the retail sales cycle of the respective products started and due to our distributors spreading their purchases into several orders based on our production capacity and their respective inventory management. However, our results of operations may still fluctuate from period to period due to seasonality and weather conditions and comparisons of our sales and operating results between different periods within a single financial year, or between different periods in different financial years, may not be meaningful in isolation and should not be relied on as indicators of our future performance. Furthermore, we cannot assure you that end consumers' seasonal demand or unusual or severe weather or temperatures will not cause a significant decrease in sales of a particular category of our products, in which case our results of operations and financial condition may be materially and adversely affected.

We rely on our key personnel and our ability to attract and retain qualified personnel. Failure to attract, retain and motivate qualified personnel could have a material and adverse effect on us.

We depend on the continued efforts of our senior management team and other key employees for our success. We can provide no assurance that any of our key employees will not voluntarily terminate his or her employment with us. The loss of service of any of our key management, in particular, Mr. Shi Hongliu, our chairman and executive Director, could impair our ability to operate and make it difficult to execute our growth strategy. We may not be able to replace any of such persons within a reasonable period of time or with another person of equivalent expertise and experience, in which case our business and operations may be severely disrupted and our financial condition and prospects could be impaired.

Our continued success will also depend on our ability to attract and retain qualified management, administrative, research and design, procurement and retail distribution personnel to manage our existing operations and future growth. Qualified individuals are in high demand and we may not be able to successfully attract, assimilate or retain all the personnel we need. We may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore cannot fully assure you that we will have the resources to fully achieve our staffing needs. Our failure to attract and retain qualified personnel and any increase in staffing costs to retain such personnel could have a negative impact on our ability to maintain our competitive position and to grow. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our business relies on the proper performance of our information management systems, and any malfunction for extended periods of time could have a material and adverse effect on us.

Our information management systems comprise computerized systems and contain information relating to production, procurement, distribution, inventory and financial functions. See the section headed "Business — Information management systems" for further details. Currently, our database containing operating data and our database containing financial and accounting data are not fully integrated. We can provide no assurance that our information management systems will always operate with a sufficient back-up system and without interruption, malfunction or security risks. Any long-term breakdown of, or any disaster leading to damage to, our hardware systems or to our software systems, any delays in the reconciliation of information within the databases of our information management systems, or other failure of our information management systems from, among other things, viruses and hacking, may materially and adversely affect our ability to operate and manage our business.

As part of our strategy, we plan to use a portion of the proceeds from the Global Offering to gradually upgrade our current system. Such upgrading procedures may require the current information management system to undergo certain business process re-engineering, which may result in interruptions to our business. Furthermore, there may be inherent risks to the use of new software systems in the future, including our ability to integrate them successfully with our existing network system. If any of our present or future information management systems do not function properly, our performance and profitability may be materially and adversely affected.

We may be required to make additional contributions of social insurance under PRC national laws and regulations.

Under PRC national laws and regulations, our subsidiary in the PRC is required to make mandatory contributions to a number of social insurance schemes, such as pension insurance, for its employees who are eligible for such benefits. We provide social insurance to our employees in accordance with local governmental authorities' implementation policies, and we have received confirmation letters from the local governmental authorities indicating that we have made all requisite contributions to the social security insurance funds in a timely manner according to the local regulations. Due to the different levels of development in social benefits in different parts of the PRC, the local policies in some places where we operate may be less stringent than the requirements under applicable national laws and regulations. We are not aware of any demands for payment from any PRC authority; however, there is no assurance that claims in respect of social insurance contributions under national laws and regulations will not be brought against us in the future. In addition, if the PRC government or the relevant local authorities implement more stringent laws and regulations, or interpret the existing laws and regulations more strictly, we may be required to incur additional expenses to comply with such laws and regulations, which in turn may materially and adversely affect our results of operations.

We may not be able to adequately protect our intellectual property rights, which could materially and adversely harm our Hosa™ brand and our business.

We believe our trademarks and other intellectual property rights are crucial to our success. Our principal intellectual property rights include trademarks for our *Hosa*™ brand registered by or licensed to us as well as certain domain names. We primarily depend on the PRC laws to protect our trademarks and domain names. Although we rely on the registration of trademarks and domain names to protect our intellectual property rights, this measure may not be sufficient to prevent any misappropriation of our intellectual property or to prevent our competitors from independently developing designs and technologies that are substantially similar to ours. The legal framework governing intellectual property rights in the PRC is still evolving and the level of protection of intellectual property rights in the PRC differs from those in other more developed jurisdictions such as the United States and the United Kingdom. Third parties may infringe upon our intellectual property rights. Our efforts to enforce or defend our intellectual property rights may not be adequate, may require significant attention from our management and may be costly. The outcome of any legal actions to protect our intellectual property rights is uncertain. If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be required to defend ourselves against claims of third parties for possible infringement of their intellectual property rights.

We may face claims from time to time that our products infringe upon the intellectual property rights of third parties, including our competitors, regardless of merit. If any legal proceeding against us for infringement of intellectual property rights is successful, and if we are unable to obtain a license for the usage of such intellectual property rights on acceptable terms, or at all, or are unable to design products around such intellectual property rights, we may be prohibited from manufacturing or selling products which are dependent on the usage of such intellectual property. These types of proceedings and their consequences could divert management's attention from our business, and could have a material and adverse effect on our business, financial condition, results of operations and prospects.

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

Our operations are subject to hazards and risks normally associated with manufacturing operations in China, which may cause damage to persons or property. Currently, we maintain insurance policies in respect of damage to our property, equipment and facilities and personal injury to employees. We do not maintain business interruption insurance or third-party liability insurance against claims for property damage or environmental liabilities. The occurrence of any of these events may result in interruption of our operations and subject us to significant losses or liabilities. As of the Latest Practicable Date, the majority of our products were sold in the PRC. We are not required under PRC law to maintain, and we do not maintain, any product liability insurance. We believe that it is normal industry practice in China not to have such insurance. In the event that we are found to be liable for a product liability claim, we may have to expend significant financial and managerial resources to defend against such claims. Any losses or liabilities that are not fully covered by our current insurance policies or are not insured at all may have a material adverse effect on our business, results of operations and financial condition.

Our Hosa™ brand may be damaged if our contract manufacturers or suppliers violate any relevant laws, rules or regulations, particularly in respect of labor and environmental protection.

We place a great emphasis on brand-building and the promotion of our *Hosa*™ products. In order to protect the reputation of our *Hosa*™ brand, we strive to adhere to all relevant laws, rules and regulations, particularly in respect of labor and environmental protection. However, we do not exercise any control over the operations of our contract manufacturers and suppliers and are therefore not able to ensure their compliance with applicable laws and regulations. There is therefore no assurance that our contract manufacturers and suppliers will fully comply with all applicable labor and environmental laws, rules and regulations. In the event that our contract manufacturers or suppliers violate any of these laws, rules or regulations, any resulting negative publicity may damage our *Hosa*™ brand and counter our brand-building efforts. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We are a holding company and rely on dividend payments from our subsidiaries to fund our cash and financing requirements, including funding dividend payments to our Shareholders.

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

In addition, under *the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) (the "EIT Law"), if a foreign entity is deemed to be a "non-resident enterprise" as defined under the EIT Law and its implementation rules, a withholding tax at the rate of 10% may be applicable to any dividends for earnings accumulated since 1 January 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the double taxation avoidance arrangement between China and Hong Kong, dividends paid by a PRC foreign-invested enterprise, such as Haosha Industry, in China to its shareholders incorporated in Hong Kong, such as Hosa Group, may be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the Chinese enterprise. The State Administration of Taxation (the "SAT") issued Circular 601 on 27 October 2009 ("Circular 601") to address which entities are treated as "beneficial owners" under the treaty articles on dividends, interest and royalties. According to Circular 601, the PRC tax authorities must evaluate whether an applicant (income recipient) qualifies as a "beneficial owner" on a case-by-case basis based on the "substance over form" principle. It is possible, based on these principles, that the PRC tax authorities would not consider our Hong Kong subsidiary, namely Hosa Group, as the "beneficial owner" of any dividends paid from our PRC subsidiary, namely Haosha Industry, and would deny the claim for the reduced rate of withholding tax. Under current PRC tax law, this would result in dividends from Haosha Industry to Hosa Group being subject to PRC withholding tax at a 10% rate instead of a 5% rate. This would negatively impact us and it would impact our ability to pay dividends.

In addition, until the PRC Shareholders complete the requisite foreign exchange registration with the Fujian branch of SAFE, we may not be able to receive dividends from our sole PRC subsidiary, Haosha Industry, and consequently we may be unable to use funds from our sole PRC subsidiary to make dividends to our Shareholders. There is no assurance that the PRC Shareholders will complete such registrations by the Listing Date. For more information, see "Risk Factors — Risks relating to conducting business in the PRC — Failure to comply with the SAFE regulations relating to the establishment of offshore special purpose companies by PRC residents may materially and adversely affect our business operations."

Any change in our tax treatment, including preferential corporate tax rates, in the PRC may have a negative impact on our operating results.

The EIT Law imposes a unified enterprise income tax rate of 25% for both domestic enterprises and foreign invested enterprises. Under the EIT Law, enterprises that enjoyed a preferential tax rate prior to the EIT Law's promulgation shall gradually transit to the new tax rate over five years from the effective date of the EIT Law. Enterprises which enjoyed a fixed period of tax exemption and reduction under the then applicable rules and regulations may continue to enjoy such preferential tax treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced due to lack of profit, such preferential tax treatment shall commence from the effective date of the EIT Law.

Under the current tax regime, our PRC subsidiary, namely Haosha Industry, being a foreign invested enterprise engaged in the business of manufacturing and sales, was entitled to an enterprise income tax exemption for its first two years of profitable operations (after offsetting all tax losses carried forward from previous years), which had a significant positive effect on our profit after taxation during the years ended 31 December 2008 and 2009. For the three years ended 31 December 2010, 2011 and 2012, Haosha Industry is and will continue to be entitled to a 50% reduction of its current state enterprise income tax rate of 25%. We expect that upon the expiry of the 50% tax reduction from enterprise income tax currently enjoyed by Haosha Industry, it will be subject to a 25% tax rate and our tax payment will increase from 2013 onwards.

We may experience a shortage of labor or an increase in labor costs, which could have a material adverse effect on our business and results of operations.

As we rely on labor resources for our production, a shortage of labor may materially and adversely affect our results of operations. Labor costs in China have increased in the past few years and if they continue to do so, our production costs may increase, which will have an adverse effect on our business and results of operations. There is no assurance that we will not experience a shortage of labor, increased labor costs or labor disputes against us. Any such negative incidents may cause us to incur additional costs and may result in delays or disruptions to our production.

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business.

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some cities in the PRC are particularly susceptible to floods, earthquakes, sandstorms, snowstorms and droughts. Our business, financial condition, results of operations and prospects may be materially and adversely affected if such natural disasters occur in places where we operate or sell our products, whether directly or indirectly. Political unrest, acts of war and terrorists attacks may cause damage or disruption to us, our employees, our facilities, the distribution channels operated by our distributors or sub-distributors and our markets, any of which could materially and adversely affect our reputation, business, financial condition, results of operations and prospects. The potential for war or terrorists attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict. In addition, certain Asian countries, including the PRC, have encountered epidemics, such as SARS or incidents of the avian flu. Past occurrences of epidemics have caused different degrees of damage to the national and local economies in the PRC. The recurrence of an outbreak of SARS, avian flu or any other similar epidemic such as the H1N1 flu (swine flu) could cause a slowdown in the levels of economic activity generally, which could in turn materially and adversely affect our results of operations and the price of our Shares.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

A substantial portion of our assets are located in the PRC and the majority of our revenue is derived from our operations in the PRC. As a result, our operations and assets are subject to significant political, economic, legal and other uncertainties associated with doing business in the PRC, which are discussed in more detail below.

Changes in the economic, political and social conditions in the PRC as well as policies adopted by the PRC Government may have a material and adverse effect on China's overall economic growth, which could in turn affect our business, financial condition, results of operations and prospects.

The political, economic and social conditions in the PRC differ from those in more developed countries in many respects, including economic structure, level of government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment and allocation of resources. The economy of the PRC has been transitioning from a planned economy towards a more market-oriented economy. For the past three decades, the PRC Government has implemented economic reform and measures emphasizing the utilization of market forces in economic development. However, a substantial portion of productive assets in the PRC remain state-owned which allows the PRC Government to exercise a high degree of control. The PRC Government continues to play a significant role in regulating industrial development by imposing industrial policies, and there can be no assurance that the PRC Government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

Although China has been one of the fastest growing economies in the world as measured by growth in gross domestic product in recent years, its economic growth has been uneven, both geographically and across various sectors of the economy. Concerned that such growth rates and distributions of growth are not sustainable and that economic growth in China has been accompanied by periods of high inflation, the PRC Government has in recent years implemented a series of measures to forestall threatening inflation and to stabilize China's economy, including tightening control over investments and bank loans in certain sectors, raising the deposit-reserve ratio for financial institutions and raising the proportion of equity investment in certain sectors. Rising inflation or relevant government mitigating measures in the PRC may affect our ability to obtain external financing and reduce our ability to implement our expansion strategy and may materially and adversely affect our business operations, profitability and growth prospects.

Fluctuations in consumer spending caused by changes in macro-economic conditions and economic downturn in the PRC may materially and adversely affect our business operations and financial performance.

A significant portion of our revenue has been generated in the PRC. Our sales and growth are dependent on consumer consumption and the continued improvement of macroeconomic conditions in the PRC, which in turn depend significantly on worldwide economic conditions and their impact on levels of consumer spending, which have recently deteriorated significantly in many countries and regions and may remain depressed for the near future. An economic downturn in the PRC may result in decreased demand for our products and services, and may materially and adversely affect our business, financial condition, results of operations and prospects. Moreover, we cannot assure you that the demand for indoor sportswear in China will not be adversely affected by further macro-economic measures implemented by the PRC Government and result in a material adverse effect on our business operations and financial performance.

Restrictions by the PRC Government on foreign exchange may limit the liquidity of our Company.

At present, the RMB is not freely convertible to other foreign currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under current PRC laws and regulations, payments of current account items, including profit distributions, interest payments and operation-related expenditures, may be made in foreign currencies without prior approval from SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE, and repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments are also subject to restrictions.

Under our current corporate structure, our sources of funds will primarily consist of dividend payments and repayment of inter-company loans by our subsidiaries in the PRC denominated in Renminbi. We cannot assure you that we will be able to meet all of our foreign currency obligations or be able to remit profits out of China. If the subsidiaries are unable to obtain SAFE approval to repay loans to our Company, or if future changes in relevant regulations were to place restrictions on the ability of the subsidiaries to remit dividend payments to our Company, our Company's liquidity and ability to satisfy its third-party payment obligations, and its ability to distribute dividends in respect of the Shares, could be materially and adversely affected.

Fluctuations in foreign exchange rates may materially and adversely affect our financial condition and results of operations.

The value of the Renminbi against other foreign currencies is subject to changes in the PRC Government's policies and international economic and political developments. Under the previous unified floating exchange rate system, the conversion of Renminbi into foreign currencies, including Hong Kong and US dollars, had been based on rates set by the PBOC, which had generally been stable. However, the PRC Government reformed the exchange rate regime on 21 July 2005 by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the Renminbi appreciated against the Hong Kong and US dollars by approximately 2.0% on the same date. On 23 September 2005, the PRC Government widened the daily trading band for Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system.

There has been pressure from foreign countries on China recently to adopt a more flexible currency system that could lead to further appreciation of the Renminbi. The Renminbi may be revalued further against the Hong Kong and US dollars or other currencies, or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the Hong Kong and the US dollars or other currencies. It is uncertain if the exchange rates of the Hong Kong and US dollars against the Renminbi will further fluctuate. Any appreciation of the Renminbi may subject us to increased competition from imported indoor sportswear products. Meanwhile, as we purchase a certain proportion of fabrics from overseas suppliers, any depreciation of RMB could possibly increase the cost of importing these products, and if we are unable to pass on the increased cost to our consumers by selling our products at higher prices, our results of operations may be materially and adversely affected. In addition, we plan to deposit the unused proceeds from the Global Offering in bank accounts outside of China without remitting those funds into China and converting them into RMB assets. In the event that the appreciation of Renminbi against the Hong Kong dollar continues, we may incur foreign exchange loss. Furthermore, since our revenue and profits are denominated in Renminbi, any depreciation of Renminbi would materially and adversely affect the value of, and any dividends payable on, our Shares in foreign currency terms, as well as our ability to service our foreign currency obligations.

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

Under the EIT Law, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% enterprise income tax rate on their global income. Under the implementation rules for the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

The EIT Law and its implementation rules are relatively new and ambiguities exist with respect to the interpretation of the provisions relating to resident enterprise issues. As far as we know, as of the Latest Practicable Date, there have been no official tax rules promulgated regarding the determination of the "de facto management bodies" for foreign enterprises like our Company. However, as substantially all of our management is currently based in China and may remain in China in the future, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. If we are deemed as a PRC resident enterprise, we will be subject to PRC enterprise income tax at the rate of 25% on our worldwide income. In that case, dividend income we receive from our PRC subsidiary, namely Haosha Industry, may be exempt from PRC enterprise income tax because the EIT Law and its implementation rules generally provide that dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise is exempt from enterprise income tax. However, as there is still uncertainty as to how the EIT Law and its implementation rules will be interpreted and implemented, we cannot assure you that we are eligible for such PRC enterprise income tax exemptions or reductions.

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

Under the EIT Law and its implementation rules, our Company may in the future be recognized as a PRC resident enterprise by the PRC tax authorities. As such, we may be required to withhold PRC income tax on capital gains realized from sales of our Shares and dividends distributed to Shareholders because such income may be regarded as income from "sources within China". In such case, our foreign corporate Shareholders may become subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty.

If the PRC tax authorities recognize our Company as a PRC resident enterprise, Shareholders who are not PRC tax residents and who seek to enjoy preferential tax rates under relevant tax treaties will need to apply to the PRC tax authorities for recognition of eligibility for such benefits in accordance with the *Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties* (關於印發《非居民享受稅收協定待遇管理辦法(試行)》的通知) ("Circular 124"), issued by the SAT on 24 August 2009 and effective on 1 October 2009. According to Circular 124, the 5% tax rate does not automatically apply. It is likely that eligibility will be based on a substantive analysis of the Shareholder's tax residency and economic substance. With respect to dividends, the beneficial ownership tests under Circular 601 will also apply. If determined to be ineligible for treaty benefits, such a Shareholder would become subject to higher PRC tax rates on capital gains realized from sales of our Shares and on dividends on our Shares. In such circumstances, the value of such foreign Shareholders' investment in our Offer Shares may be materially and adversely affected.

The PRC legal system is not fully developed and has inherent uncertainties which could limit the legal protections available to us and materially and adversely affect our business operations.

Although our Company is incorporated under the laws of the Cayman Islands, substantially all of our operations are conducted through our subsidiary which is organized under the PRC laws in China. The PRC legal system is based on written statutes, and prior court decisions and judgments can only be cited as reference and are non-binding. China is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC Government has established a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters such as the issuance and trading of securities, shareholder rights, corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations remain uncertain in many areas. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

It may be difficult to effect service of process on, or to enforce any judgments obtained outside the PRC against, our Company or our Directors or senior management members who reside in the PRC.

The legal framework in China that our Directors, senior management members and substantially all our assets are subject to is materially different in certain areas from that of other jurisdictions, including Hong Kong and the United States, particularly with respect to the protection of minority shareholders.

While the *PRC Company Law* (中華人民共和國公司法) (the "Company Law") was amended in 2005 to allow shareholders to commence actions against directors, supervisors, officers or any third party on behalf of a company under certain limited circumstances, the mechanism for enforcement of rights under the corporate governance framework in China is still relatively underdeveloped and untested.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in many developed countries such as the United States, the United Kingdom and Japan. Therefore enforcement in China of judgments of a court in these jurisdictions may be difficult or even impossible.

Failure to comply with the SAFE regulations relating to the establishment of offshore special purpose companies by PRC residents may materially and adversely affect our business operations.

SAFE issued a public notice in October 2005, namely the Notice of *the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration on Domestic Residents to Engage in Financing and Roundtrip Investment via Overseas Special Purpose Vehicles* (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("Circular 75"), requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside China for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an "offshore special purpose company". In addition, any PRC resident that is a shareholder of an offshore special purpose company is required to amend its SAFE registration within 30 days after any major change in the share capital of an offshore special purpose company without any roundtrip investment being made, such as any increase or decrease of capital, stock right assignment or exchange, merger or division, investment with long term stock rights or credits, or provision of guaranty to a foreign party. The PRC Shareholders, who are domestic residents defined under Circular 75 are in the process of conducting the registrations in respect of the establishment and control of our Company, Ho Born Investment, Well Born Industrial, Zehui Investment, Yixin Investment, Hosa Investment and Hosa Group. Our PRC legal advisers, Jingtian & Gongcheng, have advised us that once our beneficial Shareholders complete the registrations with Fujian branch of SAFE in respect of the establishment and control of our Company, Ho Born Investment, Well Born Industrial, Zehui Investment, Yixin Investment, Hosa Investment and Hosa Group, our Group would not be operationally and financially affected. However, as of the date of this Prospectus, the PRC Shareholders have not completed such requisite registrations with the Fujian branch of SAFE. Furthermore, we may not be fully informed of the identities of all our future Shareholders who are PRC residents and we will not have control over our future Shareholders and cannot assure you that any future PRC resident Shareholders will comply with Circular 75. If the PRC Shareholders fail to complete the Registration pursuant to Circular 75 or if future Shareholders who are PRC residents fail to comply with the registration requirements set forth in Circular 75, such Shareholders and/or the Company's sole PRC subsidiary, Haosha Industry, may be subject to fines of up to RMB50,000 (in the case of individual Shareholders) and RMB300,000 (in the case of Haosha Industry), and may be issued a warning requiring them to take appropriate remedial action; the Company's ability to contribute additional capital to Haosha Industry, including the net proceeds received from the Global Offering, may be limited; the ability of Haosha Industry to remit its profits, including the ability to distribute dividends to the Company, and to remit funds resulting from any liquidation, share transfer and capital reduction outside of the PRC may be limited; and other possible punishments could be imposed on such Shareholders and/or Haosha Industry for foreign exchange evasion or other non-compliance with SAFE regulatory requirements. Any or all of the above could materially and adversely affect our business operations. Until such registrations are completed by the PRC Shareholders, we may not be able to use funds from Haosha Industry to make dividends to our Shareholders. There is no assurance that the PRC Shareholders will complete such registrations by the Listing Date and no certainty as to when such registrations will be completed.

As a foreign company, our acquisitions of PRC domestic companies may require a longer period of time and be subject to higher levels of scrutiny by the PRC Government.

On 8 August 2006, the MOFCOM, the SAIC, the SAT, the SAFE, the SASAC and the CSRC jointly promulgated rules governing the approval process by which a PRC domestic entity's assets or equity interests may be acquired (the "M&A Regulation"). These rules became effective on 8 September 2006 and were revised and reissued by the MOFCOM in June 2009. The M&A Regulation established additional procedures and requirements, including, but not limited to, the requirement that foreign investors must obtain MOFCOM's approval when they acquire equity or assets of a PRC domestic enterprise through a cross-border share swap. It is generally expected that compliance with the regulations will be more time consuming and costly than in the past and will result in a more extensive evaluation by the PRC Government and result in increased control over the terms of the transaction. Therefore, acquisitions in China by non-PRC entities may face difficulties in completion because the terms of the transaction may not satisfy terms required by regulatory authorities in the approval process. If we decide to acquire a PRC domestic company, the execution of our acquisition plan may become more time-consuming, complex and uncertain, and as a result, our growth prospects could be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

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

Prior to the Global Offering, there has been no public market for our Shares. Our Shares are not listed on any stock exchange or organized trading market, including in the PRC. While we have applied to list and deal in the Shares on the Stock Exchange, we cannot assure you that an active or liquid public market for our Shares will develop or be sustained if developed. The Offer Price of the Shares will be determined through negotiations among us and the Sole Global Coordinator (on behalf of itself and the other Underwriters), and it may not necessarily be indicative of the market price of the Shares after completion of the Global Offering. An investor who purchases Shares in the Global Offering may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares. In addition, as there is expected to be a five Business Day gap between the pricing and trading of the Shares offered in the Global Offering, the initial trading price of our Shares could be lower than the Offer Price due to a variety of reasons including material negative events affecting our Company.

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

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

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

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

Prior dividend distributions are not an indication of our future dividend policy.

Haosha Industry, our principal operating subsidiary in the PRC, declared a dividend of RMB151.7 million on 12 January 2011 to its then shareholders Haosha H.K. and Haosha Garments.

Historical dividend distributions by our subsidiary are not indicative of our future distribution policy and we give no assurance that dividends of similar amounts or at similar rates will be paid in the future. The timing, amount and currency of any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Companies Law, including (where required) the approval of Shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in China, which are subject to restrictions described in "— Risks relating to conducting business in the PRC — Gains on the sales of our Shares by foreign investors and dividends on our Shares payable to foreign investors may become subject to PRC income taxes" above. For further details of the dividend policy of our Company, please see the section headed "Financial Information — Dividend policy" in this Prospectus.

The interests of our Controlling Shareholders may not always coincide with the interests of our Company and our other Shareholders, and the Controlling Shareholders may exert significant control or substantial influence over us and may take actions that are not in, or may conflict with, our and public Shareholders' best interests.

The Controlling Shareholders will in aggregate control the exercise of voting rights of 61.488% of the Shares eligible to vote in the general meeting of our Company immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised). Therefore, the Controlling Shareholders will continue to be able to exercise controlling influence over our business through their ability to control actions which do not require the approval of independent Shareholders. Subject to our Company's Memorandum and Articles as well as the Companies Law, the Controlling Shareholders will also be able to control the election of our Directors, alter our share capital, make amendments to our Company's Memorandum and Articles, determine the timing and amount of our dividends, if any, and pass resolutions to acquire or merge with another company not connected with the Controlling Shareholders. The Controlling Shareholders may cause us to take actions that are not in, or may conflict with, the interests of us or the public Shareholders. In the case where the Controlling Shareholders choose to cause us to pursue objectives that would conflict with the interests of our other Shareholders, such other Shareholders could be left in a disadvantageous position by such actions caused by the Controlling Shareholders and the price of the Shares could be materially and adversely affected.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering and could face future dilution as a result of future equity financings.

Potential investors will pay a price per Share that substantially exceeds the per Share value of our Company's tangible assets after subtracting our Company's total liabilities and will therefore experience immediate dilution when purchasing Offer Shares in the Global Offering. As a result, if our Company were to distribute its net tangible assets to the Shareholders immediately after completion of the Global Offering, potential investors would receive less than the amount they paid for their Shares.

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

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

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. There will be 1,600,000,000 Shares outstanding immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised and no outstanding stock options were exercised prior to the Latest Practicable Date. Although we and certain of our Shareholders, subject to certain exceptions, have agreed to a lock-up with the Underwriters until six months after the date of this Prospectus as described under the section headed "Underwriting" in this Prospectus, the Sole Global Coordinator may release these securities from these restrictions at any time and such Shares will be freely tradable after the expiry of the Lock-up period. Shares which are not subject to a lock-up represent approximately 25% of the total issued share capital immediately after the completion of Global Offering (assuming the Over-allotment Option is not exercised) and will be freely tradable immediately after completion of the Global Offering.

The costs of share options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme may materially and adversely affect our results of operations and any exercise of the options granted will result in dilution to our Shareholders.

Issuance of Shares for the purpose of satisfying any award made under the Pre-IPO Share Option Scheme will increase the number of Shares in issue after such issuance, and thus will result in the dilution to the percentage of ownership of our Shareholders, the earnings per Share and net asset value per Share. If all options are exercised, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 1.265% and a dilutive effect of approximately HK$0.0026 on earnings per Share such that the forecast earnings per Share for the financial year ending 31 December 2011 will be diluted from HK$0.2062 to HK$0.2036.

The value of the options granted under our Pre-IPO Share Option Scheme will be recognized as an expense and amortized on a straight line basis over a period since the date of the grant to the end of the vesting period.

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

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

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme and the options granted thereunder are set out in the sections headed "Appendix VI — Pre-IPO Share Option Scheme" and "Share Option Scheme" in this Prospectus.

Investors may face difficulties in protecting their interests because we are incorporated under Cayman Islands law and protection for minority shareholders under Cayman Islands law may be different from those under the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by our Memorandum and Articles of Association, and by the Companies Law, and the common law of the Cayman Islands. The law of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and under judicial precedents in Hong Kong or other jurisdictions. Such differences may mean that the remedies available to the Company's minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For more details, please refer to the section headed "Appendix V — Summary of the Constitution of Our Company and Cayman Islands Companies Law" in this Prospectus.

We cannot guarantee the accuracy of certain facts, forecasts and other statistics with respect to China, the economy and the Chinese indoor sportswear industry supplied by other parties contained in this Prospectus.

Certain facts, forecasts and other statistics in this Prospectus relating to China, the economy and the Chinese indoor sportswear industry have been derived from independent third parties, such as Frost & Sullivan, and official publications and we can guarantee neither the quality nor the reliability of such official source materials. We have taken reasonable care in extracting and reproducing such information to ensure that it is not misleading or deceptive, and we have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the publications and the information contained therein has not been prepared or independently verified by us, nor the Underwriters or any of its or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts, forecasts and statistics herein may be inaccurate or may not be comparable to information produced by other parties and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics and accordingly, such information should not be unduly relied upon.