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

RISKS RELATING TO OUR GROUP

We may face difficulties in maintaining our existing customer base and developing new customers and new product category

We are an OEM manufacturer specialising in manufacturing stainless steel products, namely watch bracelets, costume jewellery and accessories such as bag accessories and leather belt buckles for internationally renowned brands with headquarters mainly based in Europe. The success of our business depends on our ability to maintain and expand the volume of businesses with our existing customers and to source and to develop new customers or expand our product category. There is no assurance that we will be successful in continuing to maintain good business relationships with our existing customers or to develop new customers or expand our product category.

Moreover, our customers are either intermediary agents acting on behalf of brand owners or brand owners, who have stringent requirements as to product quality, delivery and our after-sales service. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to or involved in any material claim or dispute with our customers. However, there is no assurance that we will be successful in continuing to maintain our product quality, to deliver our products to our customers in accordance with agreed delivery schedule, or to provide satisfactory after-sales services to our customers at affordable or reasonable costs.

If we are not able to maintain or expand the volume of businesses with our existing customers or to extend our customer base by adding new customers at desired levels or at all, or to develop and expand our product category, or to meet the requirements of our customers on product quality, delivery and after-sale services or any other requirements of our customers at reasonable or affordable costs, our relationship with our customers, our business, financial condition and results of operations could be materially and adversely affected.

We are dependent on our major customers

Our sales to our top five customers during the Track Record Period amounted to about HK$310.7 million, HK$235.8 million and HK$345.2 million, which accounted for about 95.7%, 91.7% and 86.6%, respectively, of our total turnover for each of the years ended 31 December 2008, 2009 and 2010, respectively. Our sales to our largest customer during the Track Record Period, Winox S.A., an Independent Third Party which is based in Switzerland, amounted to about HK$193.3 million, HK$148.9 million and HK$218.7 million, which accounted for about 59.6%, 58.0% and 54.9% respectively, of our total turnover for each of the years ended 31 December 2008, 2009 and 2010, respectively. Our sales to Maillor S.A., an affiliate of Winox S.A. and one of our top five customers for the year ended 31 December 2010 which is based in Switzerland, amounted to nil, about HK$4.0 million and about HK$16.3 million, representing nil, about 1.5% and about 4.1% of our total turnover for each of the years ended 31 December 2008, 2009 and 2010, respectively. Our total sales to Winox S.A. and Maillor S.A. for each of the years ended 31 December 2008, 2009 and 2010 amounted to about HK$193.3 million, HK$152.9 million and HK$235.0 million, representing about 59.6%, 59.5% and 59.0% of our turnover for the relevant years, respectively.

Winox S.A. had also been our largest and second largest supplier during each of the years ended 31 December 2008 and 2009, respectively.

There is no assurance that our business relationship with our major customers will continue in the future. If any of these customers ceases to do business with us, or substantially reduces the volume of its business with us for whatever reason, and if we are unable to secure new customers with comparable sales volume and profit margin, our profitability and financial position can be adversely affected.

During the Track Record Period, we had been engaged by intermediary agents of brand owners or by brand owners directly to manufacture watch bracelets, costume jewellery and accessories for internationally renowned brands based on the design and requirements of our customers. However, our sales of any particular product, including any end product (such as costume jewellery) and component thereof (such as watch bracelets and belt buckles) is dependent on, among other factors, the market responses and demands of the end product, which can be affected by the brand owner's ability to respond to the changing customer trends or preferences in a timely manner, the popularity of the brands, the product development processes, the product development and marketing plans of the brand owners which we may have no control. There is no assurance that our customers will proceed with the commercial production of any particular new product, or will place orders with us for commercial production thereof, after we have provided our product development services to them. If the sales of any particular end products of the brand owners (or, as the case may be, the component thereof) which are developed and/or produced by us cannot achieve the intended result for whatever reason, the amount of purchases from us for such products by such brand owner and/or its intermediary agent may be adversely affected.

Our business is concentrated on supply of watch bracelets and depends on our customers' ability to sell their products developed and manufactured by us

Our turnover generated from sales of watch bracelets in 2008, 2009 and 2010 was about HK$242.4 million, HK$180.8 million and HK$308.0 million respectively, representing 74.7%, 70.4% and 77.3% of our total turnover for each of the years ended 31 December 2008, 2009 and 2010 respectively. Our Directors understand that our watch bracelet products are supplied to brand owners of luxury goods for their wrist watch models which are marketed and sold in the high-end retail market. Our results of operations are directly affected by the success of these brand owners in their business. These brand owners may not be able to market and sell their products successfully or maintain their competitiveness due to lack of market acceptance or otherwise. In those circumstances, the intermediary agents of brand owners or our direct brand owner customers may not order new products or decrease the quantity or purchase price of their orders. Our business, results of operations, financial conditions and profitability may be materially and adversely affected by changes in the demand of our watch bracelet products due to changes in demand of our customers' products, and/or luxury wrist watches and/or expected increase in competition or any other reasons.

We derive a substantial portion of our sales from Switzerland and our results of operations are affected by the demand for our products from customers in Switzerland and the global demand for Swiss made luxury products

During the Track Record Period, sales attributable to Switzerland market represent about 78.6% of our total turnover for the year ended 31 December 2008, about 84.1% of our total turnover for the year ended 31 December 2009, and about 71.4% of our total turnover for the year ended 31 December 2010. We anticipate that our export sales to Switzerland will continue to be significant. Therefore, our results of operations are largely affected by the level of demand for our products from our customers in Switzerland which is in turn influenced by a number of factors some of which are beyond our control, including, amongst others, global demand for Swiss made watches or other luxury products and the recent economic downturn. Should general global economic conditions remain weak, global demand for luxury products may decline and demand for end products of our customers, and therefore our products, may decline as a consequence, which could result in declines in our sales and results of operations. Further, when the global economy rebounds, consumer preferences may shift toward more expensive models of luxury products and our customers may have more stringent demands in product quality and delivery that we may not offer, which could also harm our sales and results of operations.

Substantial portion of our sales during the Track Record Period were attributable to intermediary agents and we have no control over the relationship between the intermediary agents and brand owners

Our customers mainly include intermediary agents of brand owners of internationally renowned brands of watch, costume jewellery and luxury products, and brand owners of such brands who are our direct customers. Intermediary agents, including Winox S.A., UVW Limited and Maillor S.A., deal with us directly on behalf of the brand owners in respect of some of the brands of products that we manufacture.

During the Track Record Period, our sales attributable to intermediary agents represent about 84.7% of our total turnover for the year ended 31 December 2008, about 77.3% of our total turnover for the year ended 31 December 2009, and about 75.7% of our total turnover for the year ended 31 December 2010.

As set out in the section headed "Business – Business model" in this prospectus, we understand that these intermediary agents have been engaged by, and have obtained authorisation from the brand owners to manufacture products and utilise intellectual property rights of such brand owners, and we have been directly engaged by these intermediary agent to manufacture these products on a back-to-back basis. Though we have maintained business relationship with some of these intermediary agents for over 10 years, we have no control over the relationship between our intermediary agents and the brand owners and are not involved in their relationship among themselves. In the event of any material change in the relationship between the intermediary agents and the brand owners, including any material change to the terms of such engagement and authorisation granted by any of these brand owners to these intermediary agents in relation to any or all brands of the brand owners for which we are engaged, or any termination of such engagement and authorisation, or the cessation of their relationship, we may not be able to continue to develop and manufacture products for such brands on the same or comparable terms or at all, and our business, financial condition and results of operations could be materially and adversely affected. There is no assurance that we can secure direct business relationships with such brand owners at all or at reasonable terms, or develop new customers who are either brand owners or intermediary agents with comparable sales volume and profit margin. If any of the above materialises, our profitability and financial position can be adversely affected.

We do not have long-term purchase commitments from our customers, which expose us to potential volatility in our turnover

We do not have long-term purchase commitments from our customers and our sales are made on the basis of individual production orders. Our customers may cancel or defer production orders. Our customers' production orders may vary from period to period, and it is difficult to forecast future order quantities. There is no assurance that any of our customers will continue to place production orders with us in the future at the same volume, or at the same margin, as compared to prior periods, or at all. We may not be able to locate alternative customers to replace purchase orders or sales. There is also no assurance that the volume or margin of our customers' production orders will be consistent with our expectations when we plan our expenditures. As a result, our results of operations may vary from period to period and may fluctuate significantly in the future.

Fluctuation in the prices and supply of stainless steel materials and components may adversely affect our profit margins and results of operation

Stainless steel is the principal production material used in our products. Our stainless steel materials are supplied to us in the form of bars, plates and wires, and in form of component parts such as screws, pins and buckles. During each of the years ended 31 December 2008, 2009 and 2010, our stainless steel material costs amounted to about HK$68.0 million, HK$61.2 million and HK$79.0 million respectively. The percentage of our stainless steel material costs to our total costs of goods sold during the Track Record Period was about 33.5%, 38.9% and 34.7% for each of the years ended 31 December 2008, 2009 and 2010, respectively. The market price of stainless steel, in particular Grade 316 stainless steel which is the principal type of stainless steel used by us for our production purposes, had been fluctuated in the past years. According to the Synovate Report, the average price per ton of Grade 316 stainless steel increased from about US$4,757 in 2005 to its peak of about US$7,735 in 2007, then dropped to its trough of about US$3,758 in 2009, and rebounded to about US$4,948 in 2010. Further increase in or fluctuation of the market price of stainless steel may increase our costs of goods sold and reduce our gross profit and gross profit margin. For illustration purposes only, had our stainless steel materials costs increased or decreased by 5% (being the rate used by our Group to assess the possible impact of the change in price of stainless steel internally) and all other factors remained unchange during the Track Record Period, our cost of goods sold would have increased or decreased by about 1.7%, 1.9% and 1.7% for each of the three years ended 31 December 2008, 2009 and 2010, respectively, which would reduce or increase our profit by about HK$3.4 million, HK$3.1 million and HK$4.0 million for each of the three years ended 31 December 2008, 2009 and 2010 respectively. If we are unable to pass on the price increases of stainless steel materials and components to our customers in a timely manner or at all, our business, financial condition and results of operations may be materially and adversely affected.

We have not entered into any long term supply agreement with our suppliers for stainless steel materials and components. There is no assurance that we will always be able to secure a stable supply of stainless steel materials and components at our desired quality and at reasonable costs or at all and in a timely manner on commercially acceptable terms. If we encounter a shortage of stainless steel materials and components or if we are unable to pass on the price increases of stainless steel materials and components to our customers in a timely manner, our business and results of operation could be materially and adversely affected.

We may not be able to maintain our profit margins in the future

We achieved gross profit margin of about 37.6%, 38.8% and 42.8% for each of the three years ended 31 December 2010, respectively. For the same period, our net profit was about HK$61.5 million, HK$52.2 million and HK$91.0 million, respectively, representing net profit margin of about 18.9%, 20.3% and 22.8%, respectively. As our profitability is dependent upon, among other factors, the market competition, the global and local economic conditions and the market demands for our products, our ability to obtain orders and the terms thereof, the cost of purchase of production materials, other production costs and our ability to maintain or improve our cost-efficiency, there is no assurance that we will be able to maintain or improve such gross profit margins or net profit margins as in the Track Record Period.

During the Track Record Period, manufacture and sale of our stainless steel watch bracelets had been our principal business focus, contributed more than 70% of our total turnover during the Track Record Period. It is part of our growth strategies to broaden our products portfolio. We currently intend to put our focus of development on our stainless steel costume jewellery and accessories and expand our product category to include other stainless steel products, such as stainless steel mobile phone cases. There is no assurance that the gross profit margins or net profit margins of these products or such other products from time to time manufactured by us will be similar or higher than what we have attained with our existing product mix during the Track Record Period in the future, taking into account the factors as mentioned above. If the market competition intensifies, or if we fail to predict correctly the market reception or growth of any particular product or type of products, or to project accurately the time, labours and cost required for the development and manufacturing of such product, or for such other reasons that affects the profit achievable from any particular product or type of products, our profitability may be adversely affected.

Our efforts to expand our products portfolio may not be successful

We currently plan to leverage our experience to capture the growing market demand for stainless steel products and manufacturing capacities by expanding our product category to include stainless steel cases for mobile phones or other stainless steel products in the future. Expansion into a new product category involves inherent business risks, such as making incorrect judgments as to the anticipated levels of demand and pricing for the new products, and the time and costs involved in developing new products and new customer relationship. Due to inherent difference in market dynamics applicable to different products, we may be forced to adopt different pricing, credit and customers policies in respect of our new products.

There is no assurance that we will be successful in expanding our products portfolio. If we fail to predict correctly the market reception of our new products, or to project accurately the time, labours and costs required for the development and manufacturing of such products, or if we fail to secure sufficient amount of sales order or at all in respect of our new products, or if we are forced to adopt less favourable pricing, credit and/or customers policies in respect of our new products, our business and results of operation may be adversely affected.

We incurred net current liabilities as at 31 December 2008 and 2009

During the Track Record Period, our Group had net current liabilities of about HK$18.3 million and HK$1.6 million as at 31 December 2008 and 2009, respectively, which were mainly resulted from the utilisation of bank borrowings and advances from related parties and a director for financing our expansion during the Track Record Period. The Group had achieved a net current assets position as at 31 December 2010 as a result of the income stream generated from our business. Please refer to the section headed "Financial information" of this prospectus for further details.

There is no assurance that we can maintain our net current assets position going forward. In the event that we incur net current liabilities, we may be exposed to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they fall due depend on our ability to maintain adequate cash inflows from operating activities and adequate external financing. There can be no assurance that we will always be able to raise the necessary funding to finance our current liabilities and our capital commitments. If we fail to do so, our business operations, financial positions and prospects may be materially and adversely affected.

Our future operating results may depend on the results of our expansion plan and our ability to improve efficiency and production at the existing manufacturing facilities

We currently expect to expand our production capacity by enhancing production efficiency at our Dalang Factory, utilising the production capacity temporarily available at our Dongfengcun Factory and carrying out our expansion plans by establishing new manufacturing facilities at Huzhen, Boluo County, Huizhou, Guangdong Province, the PRC. Please refer to the section headed "Business – Business strategies – Expansion of production capacity" in this prospectus for further details relating to our future expansion plans. Significant capital investment and human resources will be required to establish a new manufacturing facility, which may exceed our original estimation. If we cannot expand our manufacturing capacity in a timely manner in response to changing market conditions, we may not be able to meet demand from our customers, which could cause us to lose customers or market share.

Our future operating results may also depend upon our ability to improve the operations of our existing manufacturing facilities at our Dalang Factory and our Dongfengcun Factory, and our ability to achieve the same efficiency and quality standard as at our Dalang Factory and our Dongfengcun Factory for our planned new manufacturing facility at Huzhen, Huizhou, Guangdong Province, the PRC. If we cannot achieve a similar efficiency and quality standard at our new manufacturing facility as that at our existing manufacturing facilities, our future operating results may be materially and adversely affected.

We face various legal obstacles and procedures with respect to our future plans for our Huzhen Factory

It is part of our current expansion plan by establishing new manufacturing facilities at Huzhen, Boluo County, Huizhou, Guangdong Province, the PRC, the details of which are set out in the "Business — Business Strategies — Expansion of production capacity" and the "Future plans and use of proceeds from the Share Offer — Use of proceeds" sections of this prospectus. After completion of the initial stage of construction of the Huzhen Factory, we plan to relocate the operation of the Dongfengcun Factory and disperse part of our manufacturing operation for costume jewellery and accessories at Dalang Factory to the Huzhen Factory. In this connection, we have obtained the operation rights of land contracted (土地承包經營權) in respect of five parcels of land in the Huzhen Site, which are village-collectively-owned land for agricultural land uses with an aggregate site area of about 697,666.67 sq.m., in January 2010 for a consideration of RMB16.3 million (equivalent to about HK$19.2 million) from two Independent Third Parties, of which about RMB14.0 million (equivalent to about HK$16.5 million) had been paid as at 30 April 2011. Details of our interests in the Huzhen Site have been set out in Appendix IV to this prospectus.

As advised by our PRC legal advisers, we have to overcome potential legal obstacles and complete certain legal procedures to achieve the intended use of and acquire all or part of the Huzhen Site for the purposes of our Huzhen Factory expansion plans, including the following material issues: (1) converting the current permitted land uses of the Huzhen Site from agricultural land uses to industrial land uses by the local land administrative authorities or the provincial government authorities, and expropriating the land by the local people's government with the approval of the provincial government or such higher government authorities; (2) converting the ownership nature of the Huzhen Site from village-collectively-owned land to that of state-owned land which is open for industrial land uses by undergoing public auction procedures specified by the local government authorities; (3) obtaining the certificate for the use of state-owned land (國有土地使用證) for the Huzhen Site by going through public auction processes as more particularly described in the section headed "Business – Properties – Leased properties and the operating rights of land" of this prospectus; (4) obtaining the Planning Permit for Construction Works (建設工程規劃許可證) and the Permit for Commencement of Construction Works (建築工程施工許可證) from the local government authorities for the construction of factory premises and ancillary buildings in the Huzhen Site in accordance with our future factory plans; and (5) obtaining clearance from the local government authorities in respect of the environmental assessment, fire safety, production safety and such other aspects of the construction and operations of the Huzhen Factory as may be required by the local government authorities. There is no assurance that we can, within a reasonable time and at reasonable costs or at all, fulfil and complete all legal requirements for our intended use of all or part of the Huzhen Site for the purposes of our Huzhen Factory. In the event that we are unable to overcome the legal obstacles, complete the requisite legal procedures and acquire the ownership rights of the Huzhen Site, the amount of the said consideration of RMB16.3 million paid or payable by us together with other costs and expenses incurred or to be from time to time incurred by us in respect of the Huzhen Site, including the related prepayment and duties of about RMB1.9 million as well as the construction costs of about RMB1.8 million paid up to 30 April 2011, will not be refundable to us. Nonetheless, unless the land comprising the Huzhen Site is expropriated by the government, we could transfer the operation rights of land for the Huzhen Site to a third party for compensation or benefits, but there is no assurance that we will be able to recover the entire amount of the said consideration, costs and expenses through the sale, or that we will be able to sell such operation rights of land to a third party at all, in which case our results of operation can be adversely affected.

While it is part of our future plans to establish our Huzhen Factory in alternative suitable site in Huzhen, Boluo County, Huizhou, Guangdong Province, the PRC in the event that we cannot overcome the above legal obstacles and complete such legal procedures in respect of the Huzhen Site, there is no assurance that we can locate any such alternative suitable sites, or fulfil and complete all legal requirements in respect of the use of such alternative sites, within a reasonable time and at reasonable costs, or at all. In the event that we cannot locate any suitable site for the establishment of our Huzhen Factory, or fulfil and complete all such requisite legal requirements under the PRC laws, we may not be able to relocate the operation of the Dongfengcun Factory and disperse part of our manufacturing operation for costume jewellery and accessories at Dalang Factory to the Huzhen Factory and/or carry out our future expansion plans, and our business and future operating results may be materially and adversely affected.

We concentrate our production operations at our Dalang Factory and Dongfengcun Factory and any disruption of operations at these facilities may adversely affect our operations

As at the Latest Practicable Date, we principally relied on our Dongfengcun Factory and our Dalang Factory for the production of all our stainless steel products such as watch bracelets, costume jewellery, accessories and mobile phone cases. Any disruption or cessation of operation of any of these facilities, whether caused by power shortage, labour strikes, riots, fire or any other disastrous events that are beyond our control, our production of the relevant products can be adversely affected.

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

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

Our gearing was on an increasing trend during the Track Record Period, and the gearing ratio as at 31 December 2008, 2009 and 2010 were about 0.17, 0.34 and 0.42, respectively. Our reliance on external financing to operate and expand our business may lead to further increase in our gearing which may materially and adversely affect our financial positions.

In addition, we plan to continue expanding our production. Our expansion plans, which include the establishment of new manufacturing facilities at Huzhen, Huizhou, Guangdong Province, the PRC, and the purchase of new equipments, require capital. It is currently expected that the initial phase of the Huzhen Factory will involve total capital expenditure of about HK$180 million. We expect to fund our capital expenditures through internally-generated cash flow, bank borrowings, and the net proceeds we receive from the Share Offer. Our ability to obtain financing through bank borrowings, or debt or equity financing, will depend on our financial condition and results of operations, the performance of our industry, and political and economic conditions in China. There is no assurance that adequate funds can be obtained on acceptable terms, or at all. If capital is unavailable, we may be forced to curtail our expansion plans, which could result in an inability to successfully implement our business strategy.

We rely on our major suppliers

Our major suppliers include production materials suppliers as well as component parts suppliers. For each of the years ended 31 December 2008, 2009 and 2010, purchases from the five largest suppliers of our Group amounted to about HK$44.3 million, HK$20.3 million and HK$38.6 million and accounted for about 57.0%, 27.5% and 40.8% of our Group's total purchases respectively, and purchases from our largest supplier amounted to about HK$22.1 million, HK$6.7 million and HK$22.2 million and accounted for about 28.5%, 9.1% and 23.4% of our Group's total purchases respectively.

Winox S.A., which was our largest customer during the Track Record Period, had also been our largest and second largest supplier during each of the years ended 31 December 2008 and 2009 respectively, and we had made purchases amounting to about HK$22.1 million and HK$5.9 million from Winox S.A. for each of the years ended 31 December 2008 and 2009 respectively, representing about 28.5% and 8.0% of our direct material purchased for the respective year. Subsequently, the component parts required for production of products ordered by Winox S.A. have been supplied by it to us without charges with a corresponding downward adjustment in the price of products ordered by Winox S.A.. Winox S.A. ceased to be one of our top five suppliers in the year ended 31 December 2010.

There is no assurance that any of our major suppliers will continue to supply production materials or component parts to us at our desired quality or at all and in a timely manner or on commercially acceptable terms. If any of our major suppliers fails to meet our purchase orders on a timely basis or fails to offer us commercially acceptable terms or fails to supply us with production materials or component parts of the quality that we require or terminates its business relationship with us, we may be unable to source production materials or component parts from comparable alternative suppliers on a timely basis and on commercially acceptable terms or at all, and our business, financial condition and results of operations may be materially and adversely affected.

Some of our major suppliers may be affected by the recent natural disasters in Japan

For the year ended 31 December 2010, three out of the top five suppliers of our Group were suppliers of stainless steel materials which, to the best of our Directors' knowledge, had been either manufacturing their products in Japan or sourcing their production materials from Japan. Our Directors noted that some Japanese steel mills have been forced to suspend or disrupt their production because of the earthquake and the subsequent tsunami and power shortage that had affected a wide area in Japan and caused disruption to economic activities there.

These major suppliers of our Group may be affected by the disruption to stainless steel production in Japan and may not be able to maintain their supply to us at our desired quality or at all and in a timely manner and at substantially the same price as before or on commercially acceptable terms. Even though none of the abovementioned major suppliers failed to maintain their supply to us as at the Latest Practicable Date, if any of these major suppliers fails to meet our purchase orders on a timely basis, or fails to offer us commercially acceptable terms, or fails to supply us with stainless steel materials or component parts of the quality that we require, we may need to source these production materials or component parts from comparable alternative suppliers, but there is no assurance that we will be able to source such production materials or component parts on a timely basis at reasonable cost and on commercially acceptable terms or at all. If the prices of our production materials are increased, we may not be able to increase the price of our products correspondingly in a timely manner or at all. If any of the above materialises, our business, financial condition and results of operations may be materially and adversely affected.

In light of the reported radiation leakage and contamination in Japan as a result of the recent earthquake and tsunami there, our customers may require us to conduct radiation check on our finished products, even though none of our customer has requested us to conduct radiation check on our finished products as at the Latest Practicable Date. As a result, our Group may have to divert substantial resources to ensure that our production materials and finished products are of the requisite safety standards of our customers, and our business and results of operations may be materially and adversely affected.

We share the same business name of "Winox" with Winox S.A. and any change in our business relationship with Winox S.A. may lead to potential disputes in respect of the use of our business name, our trademark and other intellectual property rights

Given the business relationship between our Group and Winox S.A., an intermediary agent for owners of five internationally renowned brands of luxury watches, and the founding of the business of our Group by the acquisition of assets from Independent Third Parties which carried on their business in the name "Winox", we have adopted the name of "Winox" as our business name, which was derived from "inox" meaning "stainless steel" in French and "stainless" in Italian and has registered "Winox" as our registered trademark in Hong Kong and the PRC. However, we may suffer from reputational damage by using the same business name of "Winox" if Winox S.A. attracts negative publicity or if the reputation of Winox S.A. deteriorates for any reason.

Winox S.A. had been our largest customer during the Track Record Period, and we have over 10 years of business relationship with Winox S.A.. During the Track Record Period and up to the Latest Practicable Date, our Group has not been involved in any litigation or material dispute with Winox S.A. However, there is no assurance that our business relationship with Winox S.A. may continue in the future. In the event that our business relationship with Winox S.A. deteriorates or is terminated, there may be potential disputes with Winox S.A. on the continued use of the business name of "Winox" and/or intellectual property rights associated with the business name, such as the use of our registered trademark.

In the event of any legal claim from Winox S.A., whether with merits or not, we may need to defend our legal rights in the use of the business name of "Winox", our registered trademark and any associated intellectual property rights in legal proceedings. We may be required to divert substantial costs and resources including our management's time to defend our positions. If we do not succeed in these proceedings, we could lose our right to use "Winox" as our business name and/or our proprietary rights over the intellectual property rights associated with the business name, such as our registered trademark, and we may be required to pay expensive legal costs. As a result, our business, reputation, financial condition and results of operations could be materially and adversely affected.

We may be involved in intellectual property right and trade secret disputes and we may not be able to adequately protect our technical know-how

We are required to enter into confidentiality agreements with our customers in relation to product design and other intellectual property rights of our customers and other information deemed to be confidential by our customers. We do not typically file a patent for any design or moulds we produce. The three-dimensional drawings of products, based on our customer's two-dimensional drawings, and the logos, trademarks and other intellectual property rights that we utilise in our design and development processes and the moulds that we produce for our manufacturing purposes, are properties of our customers and we are bound by our confidentiality undertaking to our customers in relation to the use of such information or properties. While we endeavour to comply with our confidentiality undertakings in favour of our customers, there is no assurance that the measures taken by us are sufficient and appropriate for the purposes of our confidentiality undertaking and at affordable or reasonable costs or at all.

In the event of any claim for breach of confidentiality from our customers, whether with merits or not, we may be required to divert substantial costs and resources including our management's time to defend our positions, and our relationship with our customers, our business, financial condition and results of operations could be materially and adversely affected.

Our trade secrets relating to our production and manufacturing processes, in the form of technical know-how, might be infringed upon by other parties. We may lack adequate protection in guarding our trade secrets. Any significant infringement of our trade secrets and the manufacturing techniques and processes used in our business could weaken our competitive position and have an adverse effect on our operations. In addition, we may need to defend our intellectual property rights including our trade secrets in legal proceedings. If we do not succeed in these proceedings, we could lose our proprietary rights over our intellectual property rights and we may be required to pay expensive legal costs. Also, defending legal claims may be costly and would divert the efforts of our management and technical personnel.

Our manufacturing techniques and machinery and technical know-how may become obsolete

We consider that our manufacturing techniques and processes in the handling of stainless steel materials vital to the continued success of our business, especially our polishing techniques in manufacturing and processing our stainless steel products. To enhance production capacity and efficiency and our manufacturing techniques, we made substantial investment in production equipment.

Our customers' requirements and product specifications and statutory requirements as to product safety are subject to changes, and we may incur significant costs in adapting to such new requirements or specifications. Our competitors may develop manufacturing techniques which are superior to ours in terms of costs, time and product quality, which would render our production techniques obsolete and our business non-competitive. Equipment manufacturers may also develop new production machinery which would render our existing machinery obsolete. If any of these factors materialises, our business, results of operations and profitability could be materially and adversely affected.

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

Our operations are subject to hazards and risks associated with our manufacturing operations, which may cause significant harm to persons or damage to properties. We maintain insurance for our offices, manufacturing facilities and inventories in the PRC and Hong Kong. We also maintain insurance against losses of cargo shipments in connection with our shipment of products from our factories in the PRC to our Hong Kong warehouse, and shipment of our products to some of our customers, and personal injury and medical treatment insurances for our Hong Kong staff travelling to or stationed in the PRC. However, we do not maintain any product liability insurance for our products, and our business, financial position and results of operations may be adversely affected as a result of any successful product liability claim against us. There is also no assurance that our insurance policies will be adequate to cover all losses incurred. Losses incurred and associated liabilities may have a material adverse effect on our results of operations if such losses or liabilities are not covered by our insurance policies.

We are subject to foreign exchange exposure and currency conversion risks

Our Group's foreign exchange risk arises mainly from the mismatch between the currency of our sales, purchases and operating expenses. During the Track Record Period, a material portion of our costs was denominated in RMB, whereas our sales were mainly denominated in US$ and HK$. During the Track Record Period, we had not adopted any financial instrument to hedge our foreign currency exchange risks. For each of the years ended 31 December 2008, 2009 and 2010, although none of our turnover was received in RMB, about 49.6%, 47.1% and 63.1% of our Group's cost of goods sold was settled in RMB. Our Directors note that RMB had been appreciating against US$ and HK$. Though we may be able to pass on all or part of the increased cost to our customers, any further appreciation of RMB would increase the effective cost to our Group of satisfying our production cost in RMB. Further expansion of our business in the PRC may also lead to our increased exposure to the exchange risk caused by the appreciation of RMB, which may materially and adversely affect our financial conditions and profitability. Based on the assessment carried out by our management and for illustration purposes only, had RMB appreciated against HK$ by an additional 3% throughout the Track Record Period, the cost of goods sold of our Group would have increased by about HK$3.0 million, HK$2.2 million and HK$4.3 million for each of the three years ended 31 December 2010, respectively. If RMB depreciated against HK$ by 3% of the then prevailing rates during the Track Record Period, there would have been an equal and opposite impact on the cost of goods sold of our Group during the Track Record Period.

Potential impact of power supply shortage

Most of our production processes are semi-automated or involve the use of machinery, and therefore rely on an adequate and stable supply of electricity. A power surge or outage could disrupt or even result in the halt of our production process and thereby adversely affect our manufacturing yield. As our production facilities expand, our production capacity increases and our business grows, our demand for adequate and stable supply of electricity supply will also increase. Therefore, as our Group's business continues to grow, in the event that electricity supplies do not improve correspondingly, the current supply of electricity may not be sufficient to support our Group's growth. We may need to limit or delay our production if we face any suspension or shortage of electricity supply which would have an adverse impact on our Group's profitability. Though our own power generators installed at our production facilities can provide us with limited backup supply of electricity, any prolonged shortage of electricity will cause disruption to our Group's production.

Higher labour and production materials costs would reduce our margins and profitability

The principal production material used by us is stainless steel. The global stainless steel price for grade 316 stainless steel (which is the principal type of stainless steel used by us for our production) had been fluctuated in the past years. According to the Synovate Report, the average price per ton of grade 316 stainless steel increased from about US$4,757 in 2005 to its peak of about US$7,735 in 2007, then dropped to its trough of about US$3,758 in 2009, and rebounded to about US$4,948 in 2010. We do not have long-term supply contracts with our production material suppliers, including suppliers of stainless steel. If we are unable to pass on any increase in the cost of production materials to our customers or otherwise reduce our production costs, our result of operations may be adversely affected.

Our OEM business and some of our manufacturing processes are labour intensive. We employed over 3,000 employees by the end of 2010. For each of the years ended 31 December 2008, 2009 and 2010, direct labour costs represent about 29.0%, 34.7% and 35.2% of our total costs of goods sold respectively. In recent years, average labour costs in the PRC have increased due to higher living standards and the PRC government's recent policies to raise the minimum wage for the workers. If this trend continues, our average labour costs would continue to increase in the near future. In addition, as the competition for skilled workers is increasingly intensive, we plan to continue to improve the working environment in our manufacturing facilities, and the living facilities for our employees, in order to retain them for longer terms. These improvements may require significant capital investment. A significant increase in labour costs in the PRC, in particular in Guangdong province where our operating subsidiaries in the PRC locate, could adversely affect our margins and profitability.

Reliance on key management personnel may impose risks on our Group

Our Group's performance and success is, to a significant extent, attributable to the vision and leadership of our founder and Chairman, Mr. Yiu, and the contribution of our senior management staff, including but not limited to Mr. Li, Mr. Chan, Mr. Ng, Mr. Wong Wing Yin and Mr. Lam Man Wai, who have been in the industry for an average of 20 years.

The future success of our Group will depend on the continued involvement, efforts, performance and abilities of the Directors and senior management team of our Group as a whole. Competition for senior management and key personnel, in particular, qualified, skillful and experienced practitioners in the stainless steel products manufacturing industry, is intense and the pool of experienced candidates is limited. There is no assurance that our Group can maintain, develop and continually tap on the experience and skills of our key personnel, and we may lose our key personnel to competitors.

In addition, as we seek to carry out our expansion plans by establishing new manufacturing facilities which will require significant human resources, and seek to appoint our internal experienced personnel to management positions in our new manufacturing facilities, a shortage of such personnel may significantly restrict our future expansion, including our expansion plan with regard to our planned new manufacturing facilities at Huzhen, Huizhou. If our Group fails to retain our key personnel or attract and engage a suitable replacement or recruit suitable new appointees on a timely basis, it may result in the loss of strategic leadership, disruption or delay to business operation or expansion, which may materially and adversely affect the business strategies, business, operations and financial condition of our Group.

Labour shortage could disrupt our production or expansion plans

Some of our manufacturing processes are labour intensive. By the end of 2010, we employed over 3,000 employees. Our Dongfengcun Factory and our planned new production facility at Huzhen, Huizhou, Guangdong Province, the PRC will also involve labour-intensive operations. Our management takes note that there is increasing difficulty in recruiting and retaining staff among labour intensive enterprises in Guangdong Province of the PRC, in particular in Dongguan where our manufacturing facilities locate. There is no assurance that we will be successful in retaining and recruiting suitably qualified workers in sufficient numbers and in time for our existing and future manufacturing operations at reasonable costs or at all, and any prolonged shortage of labour could materially and adversely affect our operations, relationship with customers, our market reputation and financial results.

Labour disputes could significantly disrupt our manufacturing operations

Our manufacturing operations require a large skilled workforce. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant problems with our employees or disruption to our operation due to labour disputes, nor had our Group experienced any significant difficulties in the recruitment and retention of experienced staff. However, there is no assurance that significant labour disputes with our employees will not arise in the future. Any such labour dispute could interrupt our operations, harm our reputation and divert our management's attention and resources, which could have a material and adverse effect on our business operations and our financial condition. In addition, we may be liable for fines assessed by relevant government authorities or incur settlement costs in order to resolve labour disputes. We may also be subject to higher labour costs in the future when recruiting new employees due to the reputational damage caused by these labour disputes.

Our manufacturing operations are subject to various safety, health and labour guidelines imposed by either the government or by customers which may increase our costs or restrict our operations

We are subject to a variety of guidelines imposed either by governments of the jurisdictions at which we carry on our business operations, or that of the jurisdictions to which our products are exported, or by customers relating to safety, health and labour conditions. The failure by us and/or third-party manufacturers to whom we outsource manufacturing to comply, or the allegation of such non-compliance, with any present or future customer guidelines could result in loss of customer contracts or a cessation of operations and damage to our reputation. New customer guidelines could also require us and/or third-party manufacturers to whom we outsource manufacturing to acquire costly equipment or to incur significant expenses.

Potential legal defect in certain properties in the PRC where our products are manufactured could adversely affect our ownership and use of such properties

Though we have obtained the Certificate for the Use of State-owned Land for our Dalang Factory on 10 April 2003, during the Track Record Period we had not obtained title certificates that allow us to freely use, transfer, mortgage or otherwise dispose of the eight buildings in the Dalang Factory. The eight buildings accounts for an aggregate gross floor area of about 14,163.30 sq.m., representing about 30.54% of the total gross floor area of the 15 buildings in our Dalang Factory. We have subsequently applied for the necessary building ownership certificates for three buildings with an aggregate gross floor area of about 10,728.30 sq.m., representing about 23.13% of the total gross floor area of the 15 buildings on the Dalang Factory. Two of these three buildings has been used by us as factory buildings housing our production facilities, while the third building houses our guard rooms. Moreover, we are unable to obtain the necessary building ownership certificates for the other five buildings which have an aggregate gross floor areas of about 3,435.00 sq. m. representing about 7.41% of the total gross floor area of the 15 buildings on the Dalang Factory, and with an aggregated net book value of about RMB2.0 million (equivalent to about HK$2.4 million) as at 30 April 2011 due to our failure to obtain the necessary construction permits, that is, the Planning Permit for Construction Works (建設工程規劃許可證) and the Permit for Commencement of Construction Works (建築工程施工許可證) when such buildings were constructed. One of those five buildings is used by our Group for acid etching production processes which are used to engrave trademark logos or generic marks on our Group's products. Please refer to the section headed "Business — Manufacturing processes" of this prospectus for further information in relation to our arrangement in respect of our acid etching processes. The remaining four buildings are mainly used for training and warehouse purposes. As advised by our PRC legal advisers, under the applicable PRC laws, the local government authorities may require us to demolish such five buildings within a specified period of time, and impose on us a fine equivalent to up to 6% of the initial cost of these five buildings, representing a maximum amount of about RMB148,000 (equivalent to about HK$174,000). We currently estimate that the maximum financial exposure in relation to the demolition of these five buildings will amount to about RMB2.3 million (equivalent to about HK$2.7 million).

The Dalang Office for Completing Property Rights Formalities of Built Properties (大朗鎮已建房屋補辦房地產權手續工作辦公室), (a competent regulatory authority as advised by our Company's legal advisers as to PRC laws) has confirmed that they have received our applications for issuance of the above missing construction permits and building ownership certificates for three buildings with an aggregate gross floor area of about 10,728.30 sq.m. As advised by the Company's PRC legal advisers, pursuant to the local regulations of Dongguan for completing property rights formalities of built properties, the three buildings in Dalang Factory shall go through the procedures of planning approval, construction approval, completion inspection and fire inspection before Winox WFOE can complete the relevant procedures for obtaining the building ownership certificates for the three buildings. There is no assurance that Winox WFOE can complete all such procedures and obtain the title certificates. As advised by our PRC legal advisers, under the applicable PRC laws, until and unless of the above missing construction permits and building ownership certificates are issued, the local government authorities may require us to demolish such three buildings within a specified period of time, and impose on us a fine up to 6% of the initial costs for these three buildings, representing a maximum amount of about RMB722,000 (equivalent to about HK$850,000).

As the production facilities that have been set up in the relevant buildings in Dalang Factory with defective titles are integral to the production processes at Dalang Factory, it is not possible to reach a reliable estimate on the impact on the revenue and profit contribution of our Group from properties with defective titles during the Track Record Period. As at 30 April 2011, the net book value of the eight buildings with defective titles amounted to about RMB13.0 million.

We cannot guarantee that we will be able to effectively mitigate the possible adverse effects that may be caused by the loss of such properties or by ownership dispute or claim regarding such properties. Our Directors currently expect that the maximum financial exposure of our Group in relation to the demolition of the eight buildings will amount to about RMB15.2 million. Please refer to the section headed "Business – Properties" in this prospectus for further details.

We are exposed to credit risk of our customers

As at 31 December 2008, 2009 and 2010, our Group recorded trade receivables balances of about HK$32.2 million, HK$41.0 million and HK$89.7 million respectively, accounted for about 15.1%, 19.9% and 26.9% of our Group's total assets, respectively, which were on an increasing trend.

The credit period granted by us to our customers is considered on a case-by-case basis ranging from 30 days to 90 days. As at 31 December 2008, 2009 and 2010, the average debtors' turnover days were about 55.2 days, 52.0 days and 59.8 days, respectively. There may be a risk of delay in payment by our Group's customers from their respective credit period, which in turn may result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade receivables from the customers or that they will settle our trade receivable in a timely manner. In the event the settlements from the customers are not made in full or not on a timely manner, the financial position, profitability and cash flow of our Group may be adversely affected.

Our historical dividend may not be indicative of our future dividends

Certain subsidiaries of our Company had declared interim dividends of nil in 2008, HK$34.8 million in 2009, about HK$29.3 million in 2010 and about HK$8.8 million in 2011 to their then shareholders prior to Reorganisation. We cannot assure you that we will pay dividends in the future, and potential investors should be aware that the amount of dividends that were paid in the past should not be used as a reference or basis upon which future dividends will be determined. Whether dividends will be distributed and the amount to be distributed will depend on factors such as our profitability, financial condition, business development requirements, future prospects and cash requirements. Any declaration and payment, as well as the amount of dividends, will be subject to our constitutional documents and the Cayman Islands laws, including the approval of our Shareholders and our Directors. We cannot assure you that we will make any dividend payments on our Shares in the future.

RISKS RELATING TO THE INDUSTRY

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

Our business depends substantially on the global economic and market conditions. Slowing economic growth or a recession could have a material adverse effect on our business, financial condition and results of operations as well as affecting our expansion strategies. Periods of relatively slow economic growth, a recession or public perception that a slowdown or recession may occur, may decrease the demand for our customer's products and hence our products, thereby adversely affecting our sales and profitability. For example, during periods of slowing economic growth or recession, consumer spending may drop as they are less willing to spend money. As our products are ultimately sold by our ultimate brand owners as part of their products to consumers in the high-end retail market, a drop in consumer spending power in luxury products could lead to a drop in demand for the brand owners' products, and in turn, adversely affect the demand of our products and thereby adversely affecting our results of operations and financial conditions. Primarily as a result of the worldwide decline in demand for luxury goods affected by the global financial crisis beginning from the fourth quarter of 2008, we had recorded a decrease in our turnover and profit for the year of about 20.8% and 15.2%, respectively, for the year ended 31 December 2009 as compared with that for the year ended 31 December 2008.

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

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

We operate in a highly competitive industry

We face keen competition in our business as an OEM manufacturer specialising in manufacturing stainless steel products for our customers based on their design and specifications. The stainless steel watch bracelet, costume jewellery and accessories manufacturing industry is highly competitive. Our Directors believe that our competitors are primarily other OEM manufacturers specialising in manufacturing stainless steel products based in the PRC, who have the manufacturing capability and expertise to cater for the demands of internationally renowned brands or customers for luxury products with emphasis on product quality. We compete principally on product quality, pricing, reputation, product development skills, manufacturing techniques, production capacity and delivery and customer service, with varying emphasis on these factors depending on the market, the customer and the product in consideration. Our business is also capital intensive and we need substantial investments in sufficient number of advanced and sophisticated production equipment, such as CNC machinery, in order to meet the requirements of our customers, particularly for customers of mobile phone cases, for precision, cost-efficient and large volume production. Our results of operation could be materially and adversely affected should we be unable to compete successfully in one or more of the foregoing areas. There is no assurance that we will be successful in maintaining or expanding our market share against our competitors. Our competitors may be able to respond quickly to new or changes in market trend or customer requirements and/or demands or adopt more competitive pricing policies. Existing and/or increased competition could adversely affect our market share and materially affect our business, financial condition and operating results.

We also attribute our success to our product quality and manufacturing techniques, in particular our polishing techniques for stainless steel materials. Any of our competitors may develop similar or better manufacturing techniques than ours, or provide better product quality than us at competitive pricing. There is no assurance that we may continue to refine and develop our manufacturing techniques, or keep up with design and develop improvement to maintain our competitive advantages. If our competitors are more successful in developing their manufacturing capability and expertise to cater for the demands of internationally renowned brands or customers for luxury products with emphasis on product quality, they may be able to expand their customer base faster and obtain more order than us. We may lose our competitive advantage with more such manufacturers on the market. In such event, our business operations and profitability may be materially and adversely affected.

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

Certain countries have experienced epidemics such as the severe acute respiratory syndrome, avian influenza and natural disasters such as fire, floods, droughts, blizzards and earthquakes, which have had an adverse impact on the economies of the affected countries.

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

RISK RELATING TO CONDUCTING BUSINESS IN THE PRC

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

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

The government control of currency conversion could affect our business operations

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

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

Although many laws and regulations have been promulgated and amended in the PRC since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of certain developed countries. The interpretation of the PRC laws and regulations involves significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes.

Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. In addition, it may also be difficult to enforce judgments and arbitration awards in the PRC. Many laws and regulations in the PRC are promulgated in broad principles and the Central People's Government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There can be no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect upon our business, operations or profitability.

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

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

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

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

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

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

Pursuant to the Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law, Winox WFOE is exempted from PRC enterprise income tax for two years starting from its first profit making year, which is the year ended 31 December 2008, followed by a 50% reduction for the next three years. Winox WFOE can continue to enjoy the tax incentives granted to it according to the transitional phase-out rules specified in the Notification on Carrying Out the Transitional Preferential Policies Concerning Corporate Income Tax promulgated by the State Council on 26 December 2007.

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

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

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

The State Council further promulgated the Notice of the General Office of the State Council on the Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知) on 3 February 2011, which provides that when domestic enterprises to be merged or acquired by foreign investors refer to military industrial enterprises or military industry related supporting enterprises, enterprises located near key and sensitive military facilities, other entities relating to national defense, or key domestic enterprises in areas such as agriculture, energy and resources, infrastructure, transport, technology, assembly manufacturing, etc., whereby the foreign investors might acquire the actual controlling right thereof, security review procedures provided under the above notice shall be applicable.

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

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

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

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

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

RISKS RELATING TO THE SHARE OFFER

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

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

Under the HKFRS, the fair value of services received as determined by reference to the fair value of share options granted to employees of our Group is recognised as an employee costs with a corresponding increase in a capital reserve within equity. Any grant of options by us under the Share Option Scheme in the future may be recognised as an employee costs accordingly and may also adversely affect our profitability.

There has been no prior market for the Shares

Prior to the Share Offer, there has been no public market for the Shares. There is no guarantee that a liquid public market for the Shares will be developed or be sustained upon completion of the Share Offer. In addition, the initial Offer Price has been determined by negotiations between the Sole Bookrunner (on behalf of the Underwriters) and us, and may not be indicative of the market price of the Shares that will prevail in the trading market and such market prices may be volatile.

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

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

Immediately after completion of the Share Offer and taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Company will have 500,000,000 Shares in issue, of which 125,000,000 Shares will be held by investors participating in the Share Offer, representing 25% of the entire enlarged issued share capital of our Company, and an aggregate of 330,000,000 Shares will be held by the Controlling Shareholders, representing 66% of the entire enlarged issued share capital of our Company. The Offer Shares issued under the Share Offer will be eligible for immediate resale in the public market in Hong Kong upon the Listing. On the other hand, all the Controlling Shareholders have given undertakings not to dispose of their Shares prior to the expiry of a six-month period after the Listing Date.

We cannot guarantee that all the Controlling Shareholders will not dispose of any Shares upon the expiry of such period. In the event that the Controlling Shareholders sell a substantial number of the Shares in the market, or where there is a perception that such sales may occur, there could be a substantial adverse effect on the prevailing market price of the Shares.

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

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

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

For further information on the constitution of our Company and Cayman Islands Companies Law, see the summary of the constitution of our Company and the Cayman Islands companies law set out in Appendix V to this prospectus.

Certain facts, forecast and other statistics with respect to the stainless steel industry and stainless steel products industry contained in this prospectus may not be reliable

Certain facts and other statistics in this prospectus relating to the stainless steel industry and stainless steel products industry have been extracted from the Synovate Report and other publicly available sources. Our Directors believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been prepared or independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, including the facts and statistics included in the sections headed "Risk factors", "Industry overview" and "Business" in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to official statistics produced for other economies and you should not place undue reliance on them.

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

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

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

We strongly caution you not to place any reliance on any information contained in press articles or media regarding our Group or the Share Offer

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