

HISTORY AND DEVELOPMENT

Fornton Holdings, Fornton Knitting and Nice Regent, the Hong Kong subsidiaries of the Group, were incorporated with limited liability on 16 December 1993, 1 February 1994 and 21 February 1995 respectively. Fornton Holdings (formerly known as Landford Enterprise Limited), is principally engaged in investment holding and was, prior to the Reorganisation, held by Madam Wong and Mr. Yam in equal shares. Fornton Knitting (formerly known as Max Eagle Industrial Limited) is principally engaged in garment manufacturing and was, prior to the Reorganisation, held by Madam Wong and Mr. Yam in equal shares. Nice Regent is principally engaged in general trading and investment and was, prior to the Reorganisation, held as to 70% by Mr. Wong and 30% by Mr. Yam. The Group commenced business in October 1994. The Group does not have its own labels, and has been engaging in the manufacturing of knitwear products including but not limited to pullovers, cardigans and jackets through the cooperation with the Former PRC Processing Party or PRC Processing Party (as the case may be) under the Processing Agreements since 1995. It has secured several major international apparel customers with their own labels such as Jones New York and Anne Klein for more than 10 years.

The Group has established its headquarter in Hong Kong since the commencement of its business whilst the manufacturing of the knitwear products has been carried out in the Processing Factory since 1996 and also at the FC Factory since 2006. The Group's headquarter in Hong Kong is responsible for the administration, finance, design and development, and sales and merchandising functions of the Group. The Group mainly manufactured menswear and womenswear for the international apparel groups based in USA and Europe whilst their products are sold in their chain stores, franchised stores under their labels, department stores and other specialty retailers around the world.

The Processing Factory was established on 31 October 1988 under its former name and was responsible for the manufacturing of knitwear products for the 1st and 2nd Former Foreign Party under the Master Processing Agreement and the 1st and 2nd Supplemental Processing Agreements, respectively. The terms of these agreements, all supplemental agreements entered into subsequently and the tenancy agreements relating to the leasing of the production premises for the Processing Factory and the FC Factory are set out in the paragraphs headed "Processing Agreements" and "Tenancy agreements" respectively under the section headed "Business" in this prospectus.

The Group was not a party to the Master Processing Agreement and the 1st and 2nd Supplemental Processing Agreements. Shortly after the establishment of one of its major operating subsidiaries, Nice Regent in February 1995, Nice Regent decided to establish manufacturing base in the PRC by entering into the processing arrangement and was subsequently introduced by a business acquaintance to the Former PRC Processing Party which was responsible for assisting the investors to look for the opportunity to enter into the processing arrangements. Through the introduction by the Former PRC Processing Party, on 21 April 1995, Nice Regent entered into the 3rd Supplemental Processing Agreement pursuant to which, among other things, (i) the 2nd Former Foreign Party's rights and obligations under the Master Processing Agreement (as amended by the 1st and 2nd Supplemental Processing Agreements) were transferred to Nice Regent; and (ii) the Processing Factory was renamed from 東莞市大朗洋陂永好毛織廠 (Dongguan Dalang Yangpo Yonghao Knitting Factory*) to 東莞市大朗巷尾豐臨針織廠 (Dongguan Dalang Xiangwei Fornton Knitting Factory*). Nice Regent became acquainted with the 2nd Former Foreign Party through introduction by the Former PRC Processing Party and was not required to pay any consideration to the 2nd Former Foreign Party for taking up the relevant rights and obligations under the Processing Agreements.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Later in May 1995, Nice Regent and the Former PRC Processing Party entered into the 4th Supplemental Processing Agreement pursuant to which Nice Regent agreed to provide, by way of lending, additional machinery to the Former PRC Processing Party for the production of knitwear products in the Processing Factory.

Pursuant to the Master Processing Agreement, the Former PRC Processing Party shall provide the production premises which can be and has been satisfied by it procuring the leasing of the production premise by a third party to Nice Regent. As such, on 30 March 1996, the Former PRC Processing Party procured 東莞市大朗鎮巷尾管理區 (Dongguan Dalang Xiangwei Administrative District*) now known as 東莞市大朗鎮巷尾社區居民委員會 (Dongguan Dalang Xiangwei Residents Committee*), an Independent Third Party, to enter into the Processing Factory Tenancy Agreement 1996 with Nice Regent to lease a production plant comprising an industrial building, a dormitory and other facilities of a total gross floor area of approximately 3,140 sq.m. located in Keng Wei Tang in Dongguan City, Guangdong Province, the PRC to Nice Regent as the production premises for the Processing Factory at an annual rental ranging from HK\$250,000 to HK\$360,000 for six years from 1 January 1996 to 31 December 2001. The part of the Processing Fees attributable to the costs of the production premise was paid by Nice Regent in the form of rental to the lessor.

After the commencement of business, the Group has secured two major customers with several labels including, among others, Jones New York and Anne Klein. Given the stable quality and timely delivery of the products throughout the years of cooperation between the Group and these two major customers, turnover generated from sales to these two major customers contributed an aggregate of approximately 80.4%, 83.3%, 85.6% and 88.0% of the Group's turnover during the Track Record Period respectively. The business relationships between the Group and these two major customers have sustained for more than 10 years.

On 9 September 1996, Nice Regent, the Former PRC Processing Party, the Processing Factory and the PRC Processing Party entered into the 5th Supplemental Processing Agreement pursuant to which, among other things, (i) the Master Processing Agreement (as amended by the 1st, 2nd, 3rd and 4th Supplemental Processing Agreements) was extended for an additional five years from 31 October 1996 to 31 October 2001; and (ii) the Former PRC Processing Party agreed to transfer all its rights and obligations under the Master Processing Agreement (as amended by the 1st, 2nd, 3rd and 4th Supplemental Processing Agreements) to the PRC Processing Party whilst it became a business agent. Details of this supplemental agreement are set out in the paragraph headed "Processing Agreements" under the section headed "Business" in this prospectus.

In or around the end of 1997 and early 1998, Madam Wong, Mr. Yam and Mr. Wong have reached an agreement verbally that with effect from the financial year commencing on 1 January 1998, each of Fornton Holdings, Fornton Knitting and Nice Regent shall be deemed to be beneficially owned by them in equal shares, and be entitled to voting rights and control of the affairs (including financial and operation aspects) of these companies accordingly.

HISTORY, REORGANISATION AND GROUP STRUCTURE

In view of the demand for larger production capacity, Nice Regent required a larger production premises for the Processing Factory. To this end, on 17 September 1999 the PRC Processing Party procured Dalang Xiangwei, an Independent Third Party, to enter into the Processing Factory Tenancy MOU 1999 with Nice Regent. Pursuant to the Processing Factory Tenancy MOU 1999, the lessor agreed to build a new production plant in accordance with the specifications set out by Nice Regent and, once the new production plant was built, to lease it to Nice Regent as the production premises for the Processing Factory to carry out its knitwear production. Details of the Processing Factory Tenancy MOU 1999 are set out in the paragraph headed “Tenancy agreements” under the section headed “Business” in this prospectus.

Later in 2000, construction of this new production plant was completed. As such, Nice Regent entered into the Processing Factory Tenancy Agreement 2000 with the lessor to lease the newly built production plant which had a total gross floor area of approximately 17,437.36 sq.m. (of which 10,324.63 sq.m. is the area of the production factory) at a monthly rental ranging from approximately RMB136,011 to RMB153,449 for 10 years from 20 December 2000 to 19 December 2010.

On 28 May 2001, Nice Regent and the PRC Processing Party entered into the 6th Supplemental Processing Agreement to extend the term of the Master Processing Agreement (as amended by the 1st, 2nd, 3rd, 4th and 5th Supplemental Processing Agreements) for an additional five years commencing from 31 October 2001 to 31 October 2006.

In 2003, in view of the growing demand for new designs and exchange of ideas with customers, the Group established the design and development department, by which the Group provided comprehensive pre-order services to customers including but not limited to market research on the upcoming fashion trend, designs of new collection of apparel products for each season, and presentation and recommendations to customers based on the latest fashion trend, customers’ preferences and market positioning.

In November 2004, to expand the existing production premises of the Processing Factory, Nice Regent entered into a supplemental agreement to the Processing Factory Tenancy Agreement 2000 pursuant to which an additional premises adjacent to the existing premises of the Processing Factory with a total gross floor area of approximately 3,800 sq.m. was leased to Nice Regent at a monthly rental ranging from approximately RMB30,400 to RMB33,440 for six years from 1 January 2005 to 19 December 2010. As such, the aggregate gross floor area of the Processing Factory increased to 21,237.36 sq.m..

In 2005, the Group secured another major customer, which is a well-known apparel brand owner in Switzerland. To cater for the demand for larger production capacity, on 17 November 2005, Fornton Holdings and the lessor of the FC Factory, an Independent Third Party, entered into the FC Factory Tenancy Agreement pursuant to which the lessor agreed to lease production premises to Fornton Holdings for three years from 1 December 2005 to 30 November 2008 at a monthly rental of RMB78,000. Such production premises were located at 東莞常平鎮白石崗村 (Baishigang Village, Changping Town, Dongguan City, Guangdong Province, the PRC*) and comprised a 3-storey factory building, two blocks of dormitory and other ancillary facilities with an aggregate gross floor area of approximately 12,000 sq.m. Details of this agreement are set out in the paragraph headed “Tenancy agreements” under section headed “Business” of this prospectus. Later in February 2006, Fornton

HISTORY, REORGANISATION AND GROUP STRUCTURE

Holdings set up Fung Ching, a WFOE established in the PRC, to mainly handle pre-laundering production procedures including knitting, linking and handstitching and such operation was carried out in the FC Factory. The principal activities of Fung Ching are manufacturing and sale of knitwear.

On 20 September 2006, Nice Regent and the PRC Processing Party entered into the 7th Supplemental Processing Agreement to extend the processing arrangement for additional two years from 31 October 2006 to 31 October 2008, which was further extended for additional three years to 31 October 2011 pursuant to the 8th Supplemental Processing Agreement. On 23 June 2011, the Group further extended the processing arrangement to 31 October 2013 pursuant to the 9th Supplemental Processing Agreement and the business licence of the Processing Factory was also extended to 31 October 2013 on 7 July 2011. As advised by the PRC Legal Advisers, there is no substantive legal impediment for the Group and the PRC Processing Party to obtain further approval for the extension of the Processing Agreements and extension of the business licence of the Processing Factory.

On 14 November 2007, Nice Regent entered into another supplemental agreement to the Processing Factory Tenancy Agreement 2000 with the lessor which increased the monthly rental to approximately RMB178,394. The term of the Processing Factory Tenancy Agreement 2000 was extended for two years to 31 December 2012 under the supplemental agreement thereto dated 1 January 2010 at the slightly reduced monthly rental of approximately RMB170,000.

To cater for the increasing scale of the business, on 28 March 2008, Fornton Knitting increased its authorised share capital from HK\$10,000 to HK\$10,000,000 and its issued share capital from HK\$2 to HK\$2,000,000.

In December 2008, Fung Ching entered into a supplemental agreement to the FC Tenancy Agreement with the lessor to extend the leasing of the production premises of the FC Factory for additional two years to 30 November 2010 at the monthly rental of RMB57,600, which was further extended for additional three years to 30 November 2013 at a monthly rental of RMB69,600 on 26 November 2010.

Knitwear manufacturing is a labour intensive business, which requires a large number of production staff responsible for different production procedures such as linking procedures and handstitching procedures. In July 2010, the Group acquired 20 sets of computerised knitting machine to handle the knitting procedures with a view to increasing the efficiency of the knitting process as well as reducing labour cost and the reliance on labour. To accelerate the computerisation of the knitting procedures, the Group further installed additional 120 sets computerised knitting machines in FC Factory and 9 sets of computerised knitting machines in the Processing Factory, which have been in operation since the second quarter and the third quarter of 2011 respectively. The Directors believe that the computerised knitting machines can cater for the customers' demand for more complicated and sophisticated knitting pattern for their knitwear products, and thus strengthening the competitive advantage of the Group.

The Group has always focused on knitwear products with a large variety of product mix including cardigans, one-pieces, gloves, jackets, dresses, hats and other apparel knitting products during its 17 years of operation. Throughout the years of operation, the Group has never shifted its focus to other business or apparel products. With such dedication, experience and expertise fostered throughout the years of operation, the Group has established strong and closely-allied relationships with its customers.

HISTORY, REORGANISATION AND GROUP STRUCTURE

CHANGES IN THE SHAREHOLDING AND GROUP STRUCTURE

Fornton Holdings, Fornton Knitting and Nice Regent have been the operating subsidiaries of the Group throughout the Track Record Period. Wide Reach was incorporated in BVI on 29 September 2010 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 31 December 2010, an aggregate of 3,000 shares of US\$1 each in Wide Reach were allotted and issued for cash at par, as to 1,000 shares to IAM, 1,000 shares to Ever Rosy and the remaining 1,000 shares to Premier Wise. As the Reorganization did not involve any PRC companies and the controllers are not PRC individuals, the PRC Legal Advisers are of the view that the Reorganization does not require any permits, licenses or approval from any PRC governmental authorities.

Fornton Holdings

At the time of its incorporation on 16 December 1993, Fornton Holdings had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 2 subscriber shares were issued and held by Independent Third Parties. On 20 April 1994, these 2 subscriber shares were transferred as to 1 share to Mr. Yam and the other 1 share to Madam Wong for cash at par as the company has not yet commenced business.

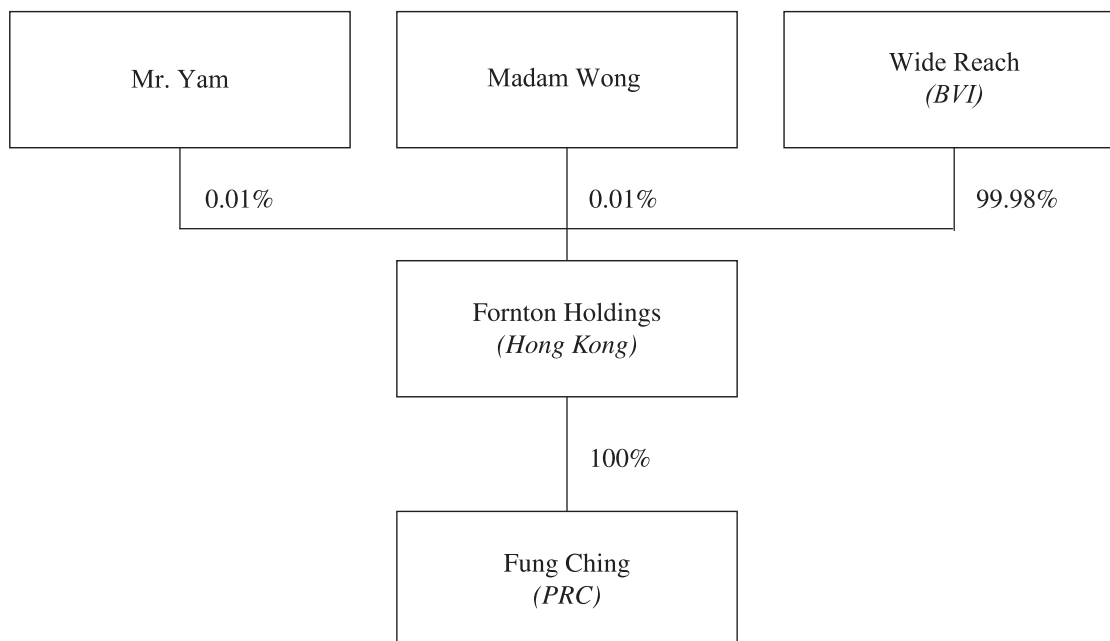
On 31 December 2010, 9,998 shares were issued and allotted for cash at par to Wide Reach. As a result, Fornton Holdings became held by Wide Reach, Mr. Yam and Madam Wong as to 99.98%, 0.01% and 0.01% respectively.

Fung Ching

Fung Ching was established by Fornton Holdings as a WFOE in the PRC on 28 February 2006 with a registered capital of US\$1,000,000 and a total investment of US\$1,000,000. The operating period of Fung Ching shall be from 28 February 2006 to 28 February 2018. If the operating period expires and Fung Ching cannot obtain the approval for the extension thereof, Fung Ching's operation will be terminated. However, the PRC Legal Advisers are of the view that there is no substantive legal impediment for Fung Ching to obtain such approval. In line with the business development, Fung Ching applied to increase its registered capital to US\$2,700,000 and total investment to US\$3,300,000 on 10 July 2007, and further applied to increase its registered capital to US\$3,586,800 and total investment to US\$4,566,800 on 1 September 2010. Fung Ching applied and was approved by relevant government authorities in March 2011 to increase its registered capital to US\$8,000,000 and total investment to US\$13,380,000. As at the Latest Practicable Date, the registered capital of Fung Ching was US\$8,000,000 and was fully paid up.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram shows the shareholdings and corporate structure of Fornton Holdings and Fung Ching as they existed immediately before the completion of the Reorganisation:



Fornton Knitting

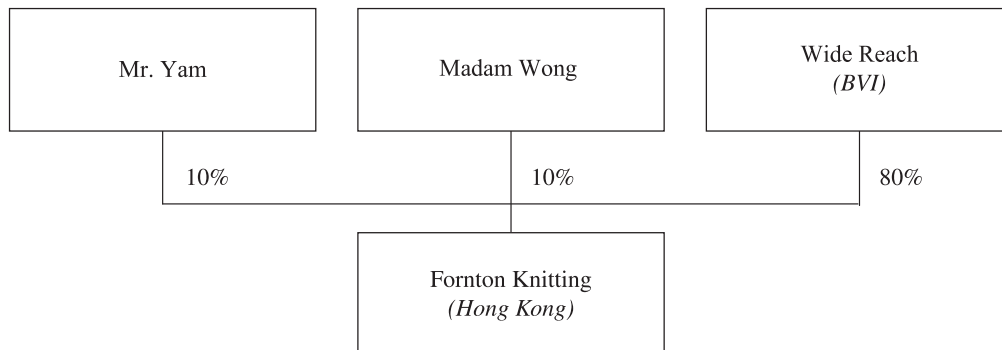
At the time of its incorporation on 1 February 1994, Fornton Knitting had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 2 subscriber shares were issued and held by Independent Third Parties. On 20 April 1994, these 2 subscriber shares were transferred as to 1 share to Mr. Yam and the other 1 share to Madam Wong for cash at the par value as the Company has not yet commenced business.

On 28 March 2008, the authorised share capital of Fornton Knitting was increased to HK\$10,000,000 divided into 10,000,000 shares of HK\$1.00 each, of which 1,999,998 shares in aggregate were allotted and issued, as to 999,999 shares to Mr. Yam and as to the remaining 999,999 shares to Madam Wong.

On 31 December 2010, 8,000,000 shares were issued and allotted for cash at par to Wide Reach. As a result, Fornton Knitting became held by Wide Reach, Mr. Yam and Madam Wong as to 80%, 10% and 10% respectively.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram shows the shareholdings and corporate structure of Fornton Knitting as it existed immediately before completion of the Reorganisation:



Nice Regent

At the time of its incorporation on 21 February 1995, Nice Regent had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 2 subscriber shares were issued and held by Independent Third Parties.

On 7 March 1995, an aggregate of 8 shares were allotted and issued for cash at par, as to 2 shares to Mr. Yam, 2 shares to Mr. Wong, 3 shares to Mr. Siu Kwok Wing and the remaining 1 share to Mr. Chu Ho Chi. Both Mr. Chu Ho Chi and Mr. Siu Kwok Wing were staff of the Group responsible for the management of the Processing Factory. Save as disclosed above, Mr. Chu Ho Chi and Mr. Siu Kwok Wing did not have any past or present relationship with the Group, its shareholders, Directors, members of the senior management and their respective associates and are Independent Third Parties.

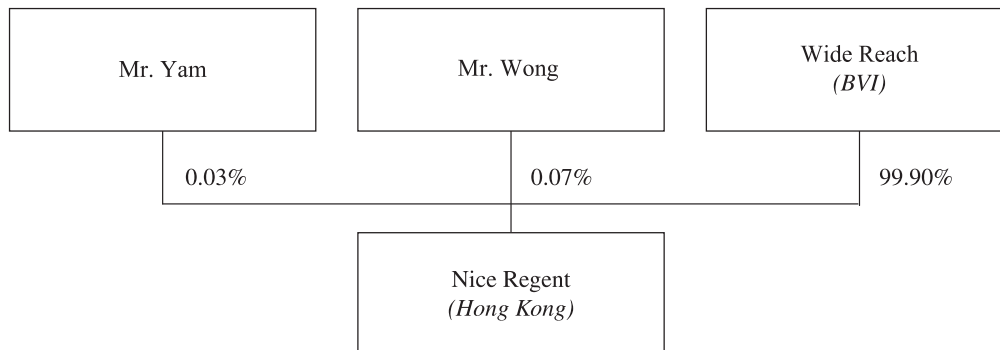
On 14 March 1995, the 2 subscriber shares held by Independent Third Parties were transferred, as to 1 share to Mr. Yam and the other 1 share to Mr. Wong for cash at par as the company has not yet commenced business.

After the respective resignations of Mr. Chu Ho Chi and Mr. Siu Kwok Wing in 1997 and 1998, on 20 February 1997, Mr. Chu Ho Chi transferred his 1 share to Mr. Wong for cash at par and on 20 February 1998, Mr. Siu Kwok Wing transferred his 3 shares to Mr. Wong for cash at par. As a result, Nice Regent became held by Mr. Yam and Mr. Wong as to 30% and 70% respectively.

On 31 December 2010, 9,990 shares were issued and allotted for cash at par to Wide Reach. As a result, Nice Regent became held by Wide Reach, Mr. Yam and Mr. Wong as to 99.90%, 0.03% and 0.07% respectively.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram shows the shareholdings and corporate structure of Nice Regent as it existed immediately before the completion of the Reorganisation:



There is no shareholders agreement between Wide Reach, Mr. Yam, Madam Wong and Mr. Wong respectively relating to Fornton Holdings, Fung Ching, Fornton Knitting and Nice Regent, or between Mr. Yam, Madam Wong and Mr. Wong in relation to Wide Reach. However, Mr. Yam, Mr. Wong and Madam Wong have reached agreement verbally in or around the end of 1997 and early 1998 that with effect from the financial year commencing on 1 January 1998, each of Fornton Holdings, Fornton Knitting and Nice Regent shall be deemed to be beneficially owned by them in equal shares, and they are entitled to voting rights and control of the affairs (including financial and operation aspects) of these companies accordingly. As family members among themselves, Mr. Yam, Mr. Wong and Madam Wong did not consider it necessary to execute a formal agreement at that time to record this arrangement. On the basis that (i) there is no Hong Kong laws and regulations which prohibits the parties from reaching an agreement on the subject matter of the verbal agreement; (ii) the parties are at liberty to contract and they have the requisite legal capacity to enter into the verbal agreement; and (iii) the subject matter of the verbal agreement does not require to be evidenced in writing, the Directors, with the consultation of the Company's legal advisers as to Hong Kong Laws, confirmed that the verbal agreement between Mr Yam, Madam Wong and Mr Wong is legal, valid and enforceable under the Hong Kong laws and regulations.

On 2 August 2011, Mr. Yam, Mr. Wong and Madam Wong signed a confirmatory agreement to record the terms agreed aforesaid. Given that the confirmatory agreement was executed to record the parties' intention and arrangement in the past, the Directors, with the consultation of the Company's legal advisers as to Hong Kong laws, confirmed that the confirmatory agreement is legal, valid and enforceable as between the parties thereto. In view of the above and the fact that Mr. Yam, Mr. Wong and Madam Wong acted in concert to (i) control and manage the financial and operating activities including but not limited to devising the overall strategic development of the business, managing daily operations of the subsidiaries and the production of the Group's production factories in the PRC, making key financial and operating decisions as well as holding senior management positions in the subsidiaries of the Group; and (ii) share the risks and benefits equally of each of the subsidiaries of the Group during the Track Record Period, merger accounting was adopted.

HISTORY, REORGANISATION AND GROUP STRUCTURE

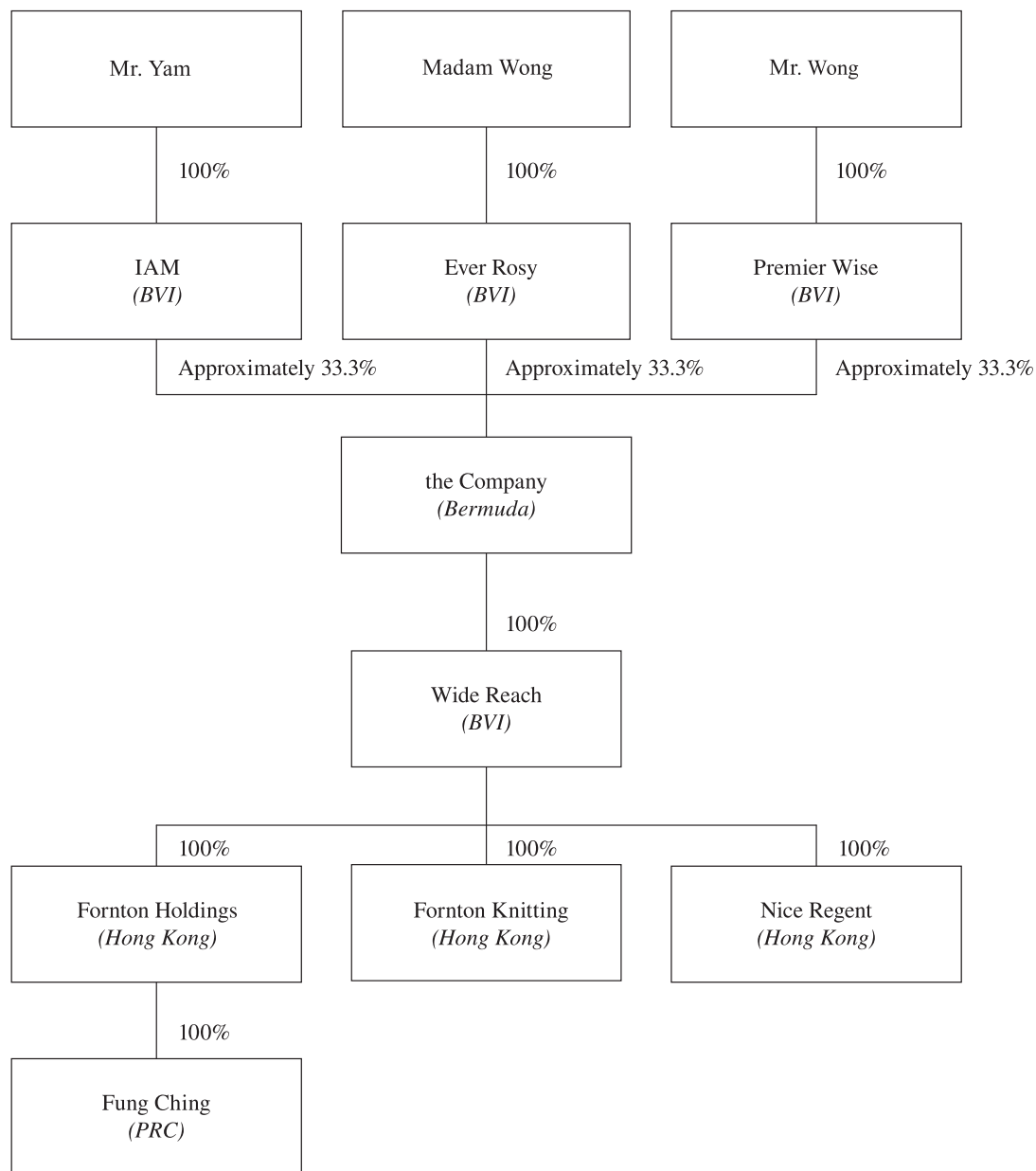
Reorganisation

The companies comprising the Group underwent the Reorganisation in preparation for the listing of the Shares on the Main Board. The Reorganisation involved the following steps:

- On 10 October 2011, Wide Reach acquired 2 ordinary shares of HK\$1.00 each in Fornton Holdings as to 1 ordinary share from Mr. Yam and 1 ordinary share from Madam Wong and in consideration thereof, (i) 1,000 ordinary shares of US\$1.00 each in Wide Reach, credited as fully paid, was allotted and issued to IAM at the direction of Mr. Yam and (ii) 1,000 ordinary shares of US\$1.00 each in Wide Reach, credited as fully paid, were allotted and issued to Ever Rosy at the direction of Madam Wong.
- On 10 October 2011, Wide Reach acquired 2,000,000 ordinary shares of HK\$1.00 each in Fornton Knitting as to 1,000,000 ordinary shares from Mr. Yam and 1,000,000 ordinary shares from Madam Wong and in consideration thereof, (i) 1,000 ordinary shares of US\$1.00 each in Wide Reach, credited as fully paid, were allotted and issued to IAM at the direction of Mr. Yam and (ii) 1,000 ordinary shares of US\$1.00 each in Wide Reach, credited as fully paid, were allotted and issued to Ever Rosy at the direction of Madam Wong.
- On 10 October 2011, Wide Reach acquired 10 ordinary shares of HK\$1.00 each in Nice Regent as to 3 ordinary shares from Mr. Yam and 7 ordinary shares from Mr. Wong and in consideration thereof, (i) 600 ordinary shares of US\$1.00 each in Wide Reach, credited as fully paid, were allotted and issued to IAM at the direction of Mr. Yam and (ii) 1,400 ordinary shares of US\$1.00 each in Wide Reach, credited as fully paid, were allotted and issued to Premier Wise at the direction of Mr. Wong.
- On 11 October 2011, IAM transferred 600 ordinary shares of US\$1.00 each in Wide Reach to Premier Wise for cash at par.
- On 13 April 2011, the Company was incorporated in Bermuda as an exempted company with limited liability with an authorised share capital of HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each, and 1,000 Shares, 1,000 Shares and 1,000 Shares were allotted and issued nil paid to IAM, Ever Rosy and Premier Wise respectively on 15 April 2011.
- On 11 October 2011, the authorised share capital of the Company was increased from HK\$100,000 divided into 10,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,990,000,000 Shares.
- On 11 October 2011, pursuant to the agreement for sale and purchase referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus, IAM, Ever Rosy and Premier Wise transferred 3,000 shares, 3,000 shares and 3,000 shares respectively in Wide Reach, being its entire issued share capital, to the Company and in consideration of and in exchange for which, the Company allotted and issued 3,332,333, 3,332,334 and 3,332,333 Shares, credited as fully paid, to IAM, Ever Rosy and Premier Wise respectively and the Company credited as fully paid at par the existing 3,000 nil paid Shares.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram shows the shareholdings and corporate structure of the Group immediately after the completion of the Reorganisation but before the Share Offer and the Capitalisation Issue:



HISTORY, REORGANISATION AND GROUP STRUCTURE

Shareholdings and corporate structure after the Share Offer and the Capitalisation Issue

On 11 October 2011, the Group completed the Reorganisation in preparation for the Listing. Pursuant to the Reorganisation, the Company became the ultimate holding company of the Group. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in the section headed “Further information about the Company” in Appendix V to this prospectus. The following chart sets out the shareholding structure and all the subsidiaries of the Company immediately following the completion of the Share Offer and the Capitalisation Issue:

