Prospective investors should consider carefully all the information set forth in this prospectus including, in particular, the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We rely on sales to the Japanese market and any natural catastrophes happening in Japan or significant change in the economic, political and social conditions, legal and regulatory requirements or decrease of demand in this market may adversely affect our financial results.

We sell both fabrics and innerwear products to our Japanese customers. During the Track Record Period, our revenue generated from sales to the Japanese market contributed to approximately 84.4%, 82.4%, 51.9% and 56.0% of the total revenue of our Group respectively. As at 30 June 2011, trade receivables due from our Japanese customers amounted to approximately RMB4.7 million, representing approximately 14.8% of our total trade receivables, and all of which have been settled as at the Latest Practicable Date.

In March 2011, Japan was hit by the Higashi Nihon Daishinsai (東日本大震災), which was caused by a 9.0-magnitude earthquake occurred in the Tohoku district, northeast of Japan. The earthquake triggered destructive tsunami which struck the northeastern coast of Japan, and led to an explosion at the nuclear power plant in Fukushima, Japan, leading to a public concern on possible nuclear meltdown and radiation leakage. The catastrophe has caused extensive damage and more than 10,000 deaths, and the estimated economic loss is up to approximately US$300 billion. Our Group has inquired with our Japanese customers as to the impact of the catastrophe on them. Based on the latest information obtained by our Directors, our Japanese customers, being either brand owners, their respective sourcing agents, or the wholesaler (or its end customers which are retail shops and department stores), have not suffered significant loss or damage. Since the occurrence of the catastrophe, we have not received any cancellation of orders from our Japanese customers and have not experienced any material fluctuation in the aggregate volume of orders from them. We also have not received any request from our Japanese customers for deferral of payment to us or any indication as to their inability to pay any amount due to us. In addition, we made enquiries with each of our major Japanese customers shortly after the earthquake, none of these customers claimed that they suffered from serious damage from the earthquake as their major operations are not in the northeastern part of Japan. Based on the above, our Directors are of the view that our sales to the Japanese customers and the recoverability of the trade receivables from them will not be significantly adversely affected in the near future. Our sales to Japanese customers for the six months ended 30 June 2011 amounted to approximately RMB78.4 million, increased by approximately 37.9% from RMB56.9 million for the corresponding period in 2010.

For a summary of the situation of, and orders from, our major Japanese customers since the earthquake, please refer to the section headed "Business — Earthquake in Japan — Situation of and orders from our major Japanese customers since the earthquake" of this prospectus.

Our Directors expect that the economy of Japan will remain uncertain until the nuclear crisis is settled and the redevelopment plan of the affected area is drawn up. The pace of such recovery is also unclear. Our Directors consider that as the products we sell to our Japanese customers comprise mainly innerwear, which is basic household goods, the demand for our products may increase or decrease at the recovery stage. If the recovery of the Japanese economy is slow which leads to substantially fewer orders from our Japanese customers, our business and financial performance could be materially adversely affected.

Although we have not experienced any significant decreased orders (as compared with those in 2010) or any deferred payment from our major Japanese customers due to the Higashi Nihon Daishinsai, we can give no assurance that we will be able to maintain our sales volume to our Japanese customers at the same level as we had during the Track Record Period, or that we will be able to recover all the trade receivables from them, which can be affected by other factors such as our product mix and the financial condition of our Japanese customers.

We also cannot assure that there will not be any aftershocks, further natural disasters or catastrophes, or any government actions in Japan which are all beyond our control. These may result in material impact on our Japanese customers, which may adversely affect the volume of their orders, and consequently our revenue and profits. Any other detrimental change in the economic, political and social conditions, legal and regulatory requirements or decrease of demand in this market may adversely affect our financial results.

Our operating results may be adversely affected by increases in the prices of yarn and other raw materials we use in our production processes.

Raw materials used in our Group's production processes consist principally of cotton and synthetic yarns, greige fabrics, dyes and apparel sewing-related materials such as thread, trimmings, buttons and zippers. In particular, cotton yarns, synthetic yarns and greige fabrics contribute to a substantial portion of our cost of sales. During the Track Record Period, our purchases of cotton yarns accounted for approximately 25.6%, 14.7%, 8.0% and 10.7%, of our cost of sales while our purchases of synthetic yarns accounted for approximately 10.3%, 23.5%, 38.8% and 28.5% of our cost of sales respectively. Our purchases of greige fabrics accounted for approximately 0.3%, 4.4%, 15.0% and 8.7% respectively of our cost of sales during the same periods.

The cost for yarns and greige fabrics can be volatile depending on the cotton and crude oil prices which are largely determined by supply and demand of cotton and crude oil in the commodity market. Prices of cotton, which is the major raw material of cotton yarns, and crude oil, which is the raw material of many kinds of fibre for synthetic yarns, would affect our production costs. During the Track Record Period, our average cost of cotton yarns was approximately RMB21.3, RMB20.7, RMB28.1 and RMB33.7 per kg respectively, and our average cost of synthetic yarns was approximately RMB23.0, RMB28.2, RMB39.0 and RMB50.7 per kg respectively. In particular, in 2010, we experienced an increase by approximately RMB7.4

per kg and RMB10.8 per kg, or 35.7% and 38.3%, respectively in average costs for cotton and synthetic yarns as a result of the increase in average cotton and crude oil prices by 51.3% and 29.3% during the year. In the first half of 2011, our average costs for cotton and synthetic yarns further increased by approximately RMB5.6 per kg and RMB11.7 per kg, or 19.9% and 30.0%, respectively resulting from the increase in average cotton and crude oil prices by approximately 43.7% and 37.9% during the same period. Any substantial increase in our costs of raw materials would affect our costs of sales, and if we are unable to transfer fully such increased costs to our customers, our profit margin may decrease.

In view of the price fluctuation of raw materials, we communicate closely with our customers on the types of raw materials used in our products for the purposes of controlling the costs. Through negotiations with our customers, we were able to shift part of the increase in cost of raw materials to them during the Track Record Period. However, we give no assurance that we can transfer any increased costs to our customers in the future, and thus any further increases in raw material prices may adversely affect our results of operations.

We rely on our key management team.

Our success depends significantly on the management skill and sales and manufacturing experience in fabric and innerwear industry of our key management team, in particular Mr. Wong, our chairman, and other executive Directors, namely Madam Hung Kin, Mr. S.H. Wang and Mr. Wei. They have been playing a significant role in the development and daily operations of our Group and our future development is dependent largely on their involvement, efforts, performance and abilities. Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date. However, if any of them leave our Group, we may be unable to find any suitable replacement easily and our operation and profitability may be materially and adversely affected.

In addition, we rely on the continuous service of our senior management and technical staff. We value the contribution of our senior executives and technical personnel and our remuneration packages and incentive schemes are competitive in order to retain them. Nevertheless, there is no assurance that our Group will be able to retain or hire qualified management and technical personnel at all times in the future. We may need to offer higher compensation and other benefits in order to attract and retain qualified management and technical personnel in the future. If we encounter any difficulty in recruiting or retaining competent personnel to manage our business operation as well as to market and sell our products, our business operations and financial performance may be adversely affected.

We have not entered into long-term sales agreement with most of our customers.

We have not entered into long-term sales agreement with most of our customers and only have verbal discussions with them on the indicative total sales volume during a fixed term, e.g. a year. As a result, such customers do not have any contractual obligation to continue placing orders with us at the same level which they have ordered in the past or at all and hence, no assurance can be given in relation to the amounts of purchase orders in the future. If any of these customers, particularly our major customers, materially reduce their orders to us or terminate their respective relationships with us at any time without reason or notice, our business and financial performance may be adversely affected. Furthermore, the actual volume of our customers' orders may prove to be inconsistent with our expectations at the time we plan our expenditures. As a result, our results of operations may vary from period to period and may fluctuate significantly in the future.

We rely on a stable supply of labour at reasonable cost.

Our production remains highly labour intensive. As at the Latest Practicable Date, we had more than 1,400 employees. Labour costs accounted for approximately 14.6%, 14.0%, 11.4% and 15.5% of our cost of sales during the Track Record Period.

Labour costs in China are affected primarily by demand and supply of labour and other economic factors in China. In view of the economic growth in China, we expect the average salary of labour to rise gradually in the future. There is no guarantee that our supply of labour and average labour cost will continue to be stable. If we fail to retain our existing labour and/or recruit sufficient labour in a timely manner, we may not be able to cope with any sudden increase in demand for our products or our expansion plans. Any increase in our labour costs would also affect our costs of sales and may lower our profit margin.

We rely on a stable supply for our raw materials.

Most of the raw materials used by our Group are purchased from suppliers in the PRC. Approximately 33.1%, 41.6%, 33.4% and 54.5% of our raw materials were sourced from our five largest suppliers during the Track Record Period. The orders of greige fabrics and yarns are on a case by case basis according to the committed orders from our customers with different specifications. To meet our production and delivery schedules, we must timely obtain sufficient quantities of these materials. We have not entered into any long-term supply agreement with any suppliers as most of the raw materials used by our Group are generally available in the PRC. We can give no assurance that our Group will be able to secure stable and sufficient supply of raw materials from our suppliers in the future. The loss of any of these suppliers or interruption of production at one or more of the suppliers could have an adverse effect on the business, financial condition and results of operations of our Group.

We rely on our production facilities.

We rely on the use of machinery in our production process. The machinery is subject to inspection and maintenance during which the production capacity may be affected. In some circumstances, machinery may have to be replaced but we cannot assure that such replacement will be readily available. We may also require maintenance services from external vendors who may or may not provide timely services. In such events, our financial resources will need to be diverted to the servicing and replacement of machinery. Although we have not encountered any significant breakdown of our machinery during the Track Record Period, any significant disruptions arising out of any such event will adversely affect our business and financial performance in a material respect.

We rely on a few major customers.

Our ongoing growth and profitability are significantly dependent on our ability to maintain close and mutual beneficial relationships with our customers. During the Track Record Period, we had 186, 150, 121 and 112 customers respectively. However, we derived a significant portion of our total revenue from a few major customers. In particular, sales to our five largest customers accounted for approximately 69.5%, 63.5%, 59.8% and 54.4% of our revenue during the respective periods.

There is no assurance that any of our major customers will continue to purchase products from us at the same level as they historically have done, or at all. If any of our major customers materially reduce their purchases from us or terminate their business relationships with us, our business and financial performance may be materially and adversely affected.

To reduce reliance on our five largest customers, we have been trying to diversify and broaden our customer base by expanding our domestic sales and selling infants' and toddlers' innerwear products primarily to the US market since 2010. While it is our plan to further expand our sales to these markets, we can give no assurance that such plan could be successfully implemented. Should our plan not materialise as planned, our business operations and financial performance may be adversely affected.

We relied on bank and other borrowings during the Track Record Period and may continue to depend on bank borrowings in the near future for our operations.

During the Track Record Period, our operations were partly financed by bank and other borrowings. As at 31 December 2008, 2009 and 2010 and 30 June 2011, our bank and other borrowings, which included both short-term and long-term borrowings, amounted to approximately RMB60.2 million, RMB62.2 million, RMB85.8 million and RMB131.0 million respectively. We expect to fund our business operations and capital expenditure through internally-generated cashflows from operations as well as bank and other borrowings after the Listing. While our Directors anticipate that with the net proceeds to be received by us from the Share Offer, our reliance on bank and other borrowings would reduce, we may still require bank and other borrowings (either by renewal of the existing short-term and long-term loans or obtaining new facilities) to finance our business operations and expansion plans.

As at 31 October 2011, being the latest practicable date for the purpose of ascertaining our indebtedness position, the amount of our indebtedness amounted to approximately RMB95.3 million. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the gearing ratios of our Group were approximately 41.9%, 32.7%, 31.4% and 39.9% respectively, which were calculated based on the summation of short-term and long-term bank and other borrowings divided by total assets. Our ability to obtain bank borrowings will depend on our financial indicators and results of operations, as well as other factors that may be out of our control, such as general market conditions, the performance of our industry, and political and economic conditions in the markets we operate. It shall be noted that due to the recent European debt crisis and the credit crisis in Wenzhou, Zhejiang Province, the PRC, the liquidity available in the market may be adversely affected, which may consequently affect our ability to obtain bank loans at a reasonable interest rate in the future. We can give no assurance that we will always be able to obtain third party financings on reasonable terms, or at all, to finance our business, operations and capital expenditure. If additional capital is unavailable when required, our business and financial position may be adversely affected and we may have to curtail our expansion plans, which could result in an inability to successfully implement our business strategy.

We had negative operating cash flow for the year ended 31 December 2010 and for the six months ended 30 June 2011, and failure to exercise tight credit and inventory control may adversely affect our operating cash flows.

We had positive operating cash flow of approximately RMB33.1 million and RMB49.1 million for the years ended 31 December 2008 and 2009 respectively, but a negative operating cash flow of approximately RMB4.8 million for the year ended 31 December 2010, which was primarily due to the increases in inventories and trade receivables to cater for our Group's business expansion. The increase in inventories, in particular, the levels of raw materials and work-in-progress was attributable to the additional procurement of certain raw materials as a cost control strategy based on our management's expectation on continuous price increase in raw materials in the near future and increase in work-in-progress to satisfy customers' orders which were due after year end. Trade receivables increased significantly as a result of the increase in sales to domestic customers and a new US customer (through a sourcing agent) who normally settled their payments longer than our Japanese customers. We also recorded a negative operating cash flow for the six months ended 30 June 2011 of approximately RMB11.6 million, which was mainly due to the increase in inventories to cater for our Group's production and delivery of products during the third quarter of 2011. For details of the operating cash flow, please refer to the section headed "Financial Information — Liquidity and capital resources — Net cash generated from (used in) operating activities" of this prospectus.

We may experience negative operating cash flow as we did in 2010 and first half of 2011 in the future. Our Directors consider the exercise of tight credit and inventory control as two of the principal factors which will affect our financial performance including cash flow. In the event of any adverse changes in market conditions of the supply and demand for our Group's principal products or major raw materials which affect our exercise of tight credit or inventory control, the results and cash flow of our Group may be adversely affected.

Moreover, we have since October 2005 installed the ERP system, through which we can plan and monitor properly our production schedules, raw material procurement and inventory management to enhance our inventory control. In the event of any failure in the implementation and continuous use of the ERP system, our inventory management and hence our operation results may be adversely affected.

We had net current liabilities as at 31 December 2008 and 2009.

We had net current liabilities of approximately RMB58.1 million and RMB35.1 million as at 31 December 2008 and 2009 respectively, which were primarily due to the utilisation of short-term bank loans from PRC licensed banks and other loans to finance our Group's business and enhancement of our production facilities. The amount of short-term bank loans and other loans amounted to approximately RMB54.2 million and RMB58.2 million as at 31 December 2008 and 2009 respectively.

Although we recorded net current assets of approximately RMB2.8 million as at 31 December 2010 and approximately RMB77,000 as at 30 June 2011, we can give no assurance that we will continue recording net current assets in the future as we may continue using short-term banking facilities to finance our Group's operation and business expansion.

We may not be able to sustain our rapid business growth in the future.

During the Track Record Period, our gross profit increased from approximately RMB33.7 million for the year ended 31 December 2008 to approximately RMB105.6 million for the year ended 31 December 2010, representing a CAGR of approximately 77.1%. Our net profit increased from approximately RMB7.4 million for the year ended 31 December 2008 to RMB53.5 million for the year ended 31 December 2010, representing a CAGR of approximately 167.9%. In order to sustain such growth, we would need to implement our business plans effectively, maintain a resilient workforce, manage our costs, and exercise adequate control on our operations. There is no assurance that we will continue to maintain such business growth in the future.

It may be difficult to effect service of process upon us or our Directors or senior officers who reside in the mainland China or to enforce against them in the mainland China any judgments obtained from non-PRC courts.

A significant portion of our assets and our subsidiaries are located in the PRC. In addition, some of our Directors and senior officers reside in the PRC and their assets may also be located in the PRC. As a result, it may not be possible to effect service of process outside the PRC upon some of our Directors and senior officers, including with respect to matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of any other requirements. Recognition and enforcement in the PRC or Hong Kong of judgments of a court in these other jurisdictions in relation to any matter not subject to a binding arbitration award are uncertain.

In addition, our Shareholders will not be able to bring any action 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 provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity.

We believe that our reputation for product quality, on-time delivery and customer service has contributed significantly to the success of our business. Defects in our products and failure to meet delivery schedules would result in damages to our reputation and business relationships and consequently lead to decreased sale and product liability claims and litigation. Should there be a material increase in the number of claims, we may incur significant legal costs regardless of the outcome of any claim of alleged defect. If we face any product liability claims, our business, financial condition and results of operations may be materially and adversely affected.

Apparel brand owners have become increasingly sensitive about their reputations with respect to environmental and social responsibility. Accordingly, our customers may require their suppliers, including us, to fulfill certain environmental standards, and/or corporate social responsibility standards set forth by governmental or non-governmental labour organisations. In the event that we fail to fulfill these standards or if we are publicly perceived to have failed to fulfill those standards or if we are otherwise publicly associated with poor environmental or social responsibility standards, it would affect our business relationships with customers which could adversely affect our operations and profitability.

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

Our operations are subject to hazards and risks associated with our manufacturing operations, which may cause significant harm to persons or damage to property. We can give no assurance that our operations will be free of accidents or 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 could be involved in intellectual property disputes.

The production and/or sale of our products involves the use of various intellectual property rights. We seek to protect our intellectual property rights by relying on laws and regulations such as trademark law of the PRC.

It may be possible for third parties to use our intellectual property without authorisation. Since we operate in a legal regime that is still developing, the protection and enforcement of our intellectual property rights may not be as effective as in countries with more mature legal systems. The steps we have taken may be inadequate to prevent the misappropriation of our proprietary technology and design. Any unauthorised use or infringement of our Group's intellectual property rights may have an adverse impact on our business. If we have to resort to litigation to enforce our intellectual property rights, significant costs may be incurred.

On the other hand, there is no assurance that infringement claims against us from third parties will not occur. Should any infringement claims be initiated against us, we may incur significant legal expenditure to defend our rights and interests or be required to pay substantial damages and be forced to develop non-infringing technology or obtain licences for such technology. Our Group may not be able to develop non-infringing technology or obtain licences acceptable to our Group and, as a result, the business of our Group may be adversely affected.

We did not fully contribute to the mandatory social insurance and housing provident fund.

We obtained confirmations from 諸城市人力資源和社會保障局 (Zhucheng Human Resources and Social Security Bureau*) ("**Social Security Bureau**") on 18 February 2011, 6 April 2011 and 18 July 2011 respectively that our PRC subsidiaries have strictly complied with the national and local laws and regulations on social insurance, have paid the social insurance in full and on time for all employees who declared to join the social insurance since their respective establishment and up to the date of confirmations, and did not have any outstanding payment, penalty, disagreement, dispute and litigation with the Social Security Bureau regarding the social insurance. The Social Security Bureau has acknowledged its awareness that our PRC subsidiaries have not fully contributed to the social insurance for those employees who did not agree to make the contributions and there was no intention of our PRC subsidiaries to evade their respective liability, and has further confirmed its acceptance of the reason therefor as submitted by our PRC subsidiaries. As such, as confirmed by the Social Security Bureau, it will not demand our PRC subsidiaries to make up the shortfall contributions or penalise our PRC subsidiaries.

We also obtained confirmations from 諸城市住房資金管理局 (Zhucheng Housing Provident Fund Management Bureau*) ("**Housing Provident Fund Bureau**") on 7 March 2011 and 26 July 2011 respectively that the contribution to housing provident fund is not mandatory in Zhucheng. Our respective PRC subsidiaries have no mandatory obligation to make such contribution for our employees and have not been requested to make any contribution or been penalised. The Housing Provident Fund Bureau has further confirmed that there was no dispute on our respective PRC subsidiaries' contribution and there will not be any penalty on them. The Housing Provident Fund Bureau has also confirmed that our Group did not have any outstanding payment, penalty, disagreement, dispute and litigation with it.

Our PRC legal advisers have reviewed the abovementioned confirmations from the respective Bureaus and confirmed that each of aforementioned Bureaus had proper authority to issue such confirmations. Based on such confirmations, our PRC legal advisers also advised that our Group had paid sufficient social insurance and housing provident fund respectively since the establishment of the relevant PRC subsidiaries and up to the date of the confirmations, and that our Group did not have any outstanding payment, penalty, disagreement, dispute and litigation with the Bureaus regarding social insurance and housing provident fund.

Although pursuant to《中華人民共和國勞動法》(Labour Law of the PRC*) and《中華人民共和國社會保險法》(Social Insurance Law of the PRC*), the administrative department of labour security or the relevant tax department has the authority to demand the paying party for payment of any outstanding or shortfall social insurance contributions within a specified period of time, to levy penalty on such outstanding or shortfall contributions and to apply to court for an order for mandatory payment, based on the abovementioned confirmations issued by the Social Security Bureau, our PRC legal advisers advised that it is very improbable that the Social Security Bureau will penalise our PRC subsidiaries for the shortfall in the social insurance contributions. Our PRC legal advisers have also advised that the Social Security Bureau will not investigate any violation of labour protection laws, regulations or rules of behaviour after the lapse of two years of such violation.

It is estimated that the shortfall in the contribution of social insurance amounted to approximately RMB2,100,000, RMB3,316,000, RMB4,532,000 and RMB2,585,000 respectively, and the shortfall in the contribution of housing provident fund amounted to approximately RMB562,000, RMB827,000, RMB1,195,000 and RMB705,000 respectively, during the Track Record Period. As the relevant Bureaus have confirmed that there was no outstanding payment, penalty, disagreement, dispute and litigation from and with our Group, the amount of shortfall were not provided for in the consolidated financial statements of our Group during the Track Record Period.

Despite obtaining the aforementioned confirmations and legal advice, we cannot rule out the possibility of the PRC government authorities of a higher level taking enforcement actions against us in the future. In the event of any enforcement actions being taken against us, we could be demanded to effect payment of the outstanding contributions by a stipulated deadline and could face court proceedings if we fail to comply with the demand, which might affect our financial performance. As advised by our PRC legal advisers, if we are so demanded by the relevant Bureaus, for social insurance, we will be subject to a daily fine of 0.05% commencing from the defaulting date for any shortfall in contribution (and if such shortfall and fine are not paid within the stipulated deadline, an additional fine amounting to one to three times of the shortfall will be levied), and for housing provident fund, if we fail to meet the demand within the stipulated deadline, we will be subject to a lump sum fine of RMB10,000 to RMB50,000 for any shortfall in contribution. As at the Latest Practicable Date, we had not received any notification from the relevant Bureaus alleging that we had not fully contributed to the social insurance or the housing provident fund and demanding payment of the same before a stipulated deadline. In the event we receive such notification, we undertake to pay the relevant contributions before the stipulated deadline to ensure that we will not be subject to the aforementioned fines.

In the interests of our Group, our Controlling Shareholders have agreed to indemnify our Group, among other things, for any costs, expenses, losses and damages which any member of our Group may suffer as a result of or in connection with any outstanding contributions to social insurance and housing provident fund, claims, potential penalties and fines which might be payable by any member of our Group as a result of or in connection with our PRC subsidiaries' failure to register and/or to contribute to the social insurance and housing provident fund on or before the Listing Date.

As confirmed by our Directors, our Group will discuss with, register and make contributions for our employees who did not agree to make contributions, in order to ensure that all our employees fully comply with the social insurance and housing provident fund requirements under the PRC laws and regulations before end of November 2011. We will liaise with the relevant Bureaus for such registration and contributions and will also keep in contact with the relevant Bureaus to understand the latest legal requirements on the same.

RISKS ASSOCIATED WITH OUR INDUSTRY

We operate in a highly competitive industry and we may lose market share if we do not compete successfully.

The fabric and innerwear products manufacturing business is highly competitive. Our Group faces competition from a significant number of domestic and foreign companies offering similar products, which include many companies with larger scale and stronger financial strengths and resources than our Group. Loss of some or all of our competitive strengths, in particular, our vertically integrated business model with fabric and innerwear manufacturing and sale, could adversely impact on the demand for, and the pricing of, our products, and hence affect the growth and market share of our Group.

The principal competitive factors that influence our customers' purchasing decision include the service and product quality and price of the products. In order to gain market share, our competitors may price their products aggressively, resulting in more intense competition. Increase in the number of market players may further result in fierce competition, price reduction, reduced margins and loss of market share, any of which could materially and adversely affect our business and results of operations.

Our industry has historically experienced seasonality, which we expect to continue. This could cause our operating results to fluctuate.

The supply and demand for fabric and innerwear products change from season to season and from year to year, based principally on evolving fashion trends as well as other factors. Demand of products in a year can be broadly divided into two fashion seasons: spring/summer and autumn/winter. Based on our experience, our innerwear products recorded higher sales during the second half of the year. Revenue generated in the second half of the year accounted for approximately 54.8%, 61.2% and 73.2% of the total revenue during the financial years ended 31 December 2008, 2009 and 2010 respectively. In addition, average unit price of innerwear for autumn/winter is normally higher than that for spring/summer as customers normally order more functional innerwear for autumn/winter, including smart thermal and insulation innerwear. Weather conditions, such as unusual weather or temperatures, may also affect our sales.

Our operating results may fluctuate from period to period due to changes in fashion trends, consumer demand and the seasonality of consumer spending on the end products of our fabrics and our innerwear products. Therefore, any comparison of our operating results between interim and annual results may not be meaningful. Our results of operations are likely to continue to be affected by seasonality in the future.

It shall also be noted that the economic downturn which poses a downward pricing trend for our products would undermine the performance of our Group.

The fabric and innerwear products manufacturing business requires rapid and effective response to the fast changing fashion trends.

The demand for particular fabric and innerwear products change from season to season and from year to year, depending on various factors such as fashion trends and customers' needs. Our success depends upon our ability to anticipate correctly and react quickly to the fashion trends that dictate customer demands and consumer preferences. Any failure to anticipate accurately and respond quickly and effectively to the fast changing fashion trends and customers' demand could result in loss of sales, which would then materially and adversely affect our business and results of operations.

Stringent environmental protection requirements could affect our business.

Pollutants and waste are generated in various stages of our production process, in particular the fabric dyeing process carried out by Zhucheng Yumin Knitting. Under the prevailing laws and regulations in the PRC, an enterprise that discharges pollutants is required to register with the relevant environmental protection authorities regarding the enterprise's pollutants discharging facilities, pollutants treatment facilities, information on pollutants disposal and preventive measures against such pollution. Our operations are subject to periodic inspections by the relevant PRC environmental protection authority, and we have implemented a system to control our pollutant emissions to ensure compliance with the PRC environmental legislation. To the best knowledge of our Directors, our Group has not been in breach of the relevant PRC environmental protection laws or regulations during the Track Record Period. However, we can give no assurance that we will not be in breach of any environmental law or regulation in the future.

The PRC has imposed stricter environmental protection standards and regulations over the last decade and may continue to do so in the future. Our cost of compliance to such laws may increase and there is no assurance that our Group would be able to fully comply with the new legislations. We could also be subject to regulatory or legal action which could result in the imposition of fines or penalties, or where the action resulted in environmental damage, we could be ordered to modify or replace our existing equipment or facilities, suspend our production, install pollution control equipment or perform site clean-up. If any of these events occur, our business, financial condition and results of operations may be materially and adversely affected.

Changes in occupational health and safety rules or regulations or human rights laws may adversely affect participants in the fabric and innerwear products manufacturing industry.

Although machinery and equipment have increased the productivity, the fabric and innerwear products manufacturing industry, to a certain extent, remains to be labour intensive. Our operation is subject to various occupational health and safety laws and regulations and human rights regulations of the PRC relating to employees. To the best knowledge of our Directors, our Group was compliant with the relevant requirements of the Zhucheng government in the PRC during the Track Record Period. We can give no assurance that we will not be in violation of any occupational health and safety laws and regulations in the future. Furthermore, if these requirements change, we may be required to incur substantial additional costs to ensure compliance, which could adversely affect our business, financial condition and results of operations.

Increased inspection procedures and tighter product safety laws as well as import and export controls could increase the operating costs of our Group and cause disruption to our business.

The fabric and innerwear products industry is subject to various customs inspection and related procedures (the "**Inspection Procedures**") in countries of origin and destination as well as at transhipment points. Such Inspection Procedures can result in the seizure of products, delay in transhipment or delivery of products and the levying of tariffs, fines or other penalties against exporters or importers.

Further, our products may also be subject to the product safety requirements in the PRC and the countries of export. For example, within the PRC, we are required to comply with《中華人民共和國產品質量法》(Product Quality Law of the PRC*), which is applicable to all activities of production and sale of any products. In addition, effective from August 2009, manufacturers of any consumer product for export to the US which are primarily intended for children aged twelve or below must provide on such product a tracking label or other distinguishing permanent mark which contains certain basic information, including the source, date of manufacture, and more detailed information on the manufacturing process such as the batch or run number of the product. Shandong Grand Concord, our subsidiary, has already passed the factory audit of Bureau Veritas, an international company specialised in conformity assessment and certification in relation to regulatory or voluntary standards, in the areas of product identification and traceability such that every piece of our products is traceable. We believe that our Group is capable of complying with the product safety requirements in the PRC and other countries of export.

However, if the product safety laws or Inspection Procedures or other controls are further tightened, as in the case of Japan, the US and Europe, there is no assurance that we will be able to meet such new requirements. Further, we may be required to incur substantial costs in order to ensure compliance. In addition, our Group may incur further costs and delays in delivery and our business and results of operations may be adversely affected.

Import quotas, higher tariffs or other trade barriers imposed by Japan, the United States, the European Union or other WTO member nations on the textile industry may have a material adverse impact on our results of operations.

Textile products serve as essential foreign trading goods. Prior to China's joining of the WTO, the European Union ("**EU**") and the US normally imposed quota restrictions on China-made apparel products to protect their domestic textile and apparel manufacturing industries. Since China joined the WTO in November 2001 and reached the Agreement on Textiles and Clothing with members of the WTO, such quota restrictions previously imposed on China-made apparels were gradually removed and finally abolished on 1 January 2005. However, export of textile products from China may still be subject to certain safeguard provisions such as the Product-Specific Safeguard Clause ("**PSSC**"). Pursuant to PSSC, when products of China, including textile and apparel products, are being imported into any member of the WTO in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products, the affected member may request consultations with China and pursue application of a measure. If these bilateral consultations lead to an agreement that imports of Chinese origin are a cause of market disruption, where necessary, China may be required to take action to prevent or remedy the market disruption. If consultations do not lead to any agreement between China and the affected member within 60 days of the receipt of a request for consultations, the affected member has the right, in respect of such products, to withdraw concessions or otherwise limit imports, but only to the extent necessary to prevent or remedy such market disruption.

In addition to the PSSC, China is also subject to the anti-dumping protection for 15 years from the date of WTO accession until 2016. If a company exports a product at a price lower than the price it normally charges in its own home market, it is regarded as "dumping" the product. Under the General Agreement on Trade and Tariffs ("**GATT**"), it allows importing countries to take action against dumping, including charging extra import duty on a particular product from the particular exporting country in order to bring its price closer to the "normal price". All anti-dumping measures must expire five years after the date of imposition, unless investigation shows that ending the measure would lead to injury to the domestic market of the importing country. For further information, please refer to the section headed "Industry overview — China textile and apparel export market".

During the Track Record Period, export sales accounted for approximately 85.3%, 83.4%, 60.6% and 67.8% of our total revenue respectively. Our Directors confirm that currently our products are not subject to any import restrictions by any of our overseas markets. If the countries to which we export were to impose quota restrictions or any other forms of trade restrictions such as annual growth limits on imports, technical regulations and standards on imports and environmental protection requirements against textile products from the PRC, our financial condition and results of operations may be adversely affected by the imposition of any such trade barriers.

RISKS ASSOCIATED WITH THE PRC

Uncertainty in the PRC legal system may make it difficult for us to predict the outcome of any disputes that we may be involved in.

Most of our business and operations are governed by the PRC legal system. The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, circulars and directives. The PRC is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investments. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists on the implementation, interpretation and enforcement of existing laws and regulations.

Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are subject to policy changes. There is no assurance that the introduction of new laws, changes to existing laws and the interpretation or application thereof will not have an adverse impact on our business or prospects.

Further, precedents on the interpretation, implementation and enforcement of PRC laws and regulations are limited, and unlike other common law jurisdictions, such as Hong Kong, decisions on precedent cases are not binding on lower courts. As such, the outcome of dispute resolutions may not be consistent or predictable as in the other more developed jurisdictions and it may be difficult to obtain swift or equitable enforcement of the laws in the PRC.

Our results and financial position are highly susceptible to changes in political, economic and social conditions of the PRC as our revenue is mainly derived from our operations in the PRC.

Since 1978, the PRC government has undertaken various reforms of its economic systems. Such reforms have resulted in economic growth in the PRC in the last three decades. However, there is no assurance that the PRC government will continue to pursue such reforms. Further, many of the reforms are unprecedented or experimental, and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further adjustment of the reform measures. This refinement and adjustment process may consequently have a material adverse impact on our operations in the PRC or on our financial performance. Our results and financial position may be adversely affected by changes in the PRC's political, economic and social conditions and by changes in policies of the PRC's government or changes in laws, regulations or the interpretation or implementation thereof as our revenue is mainly derived from our operations in the PRC.

The preferential tax treatment enjoyed by our Group during the Track Record Period has ended.

In accordance with the《中華人民共和國外商投資企業和外國企業所得稅法》(Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises*) which was effective prior to 1 January 2008, two of our subsidiaries in the PRC were then entitled to full exemption from EIT for the first two years from their respective first profit making year and a 50% reduction in EIT for the next three years (after deducting losses carried forward).

On 16 March 2007, the new EIT Law was promulgated. The new EIT Law imposes a single income tax rate of 25% on most domestic enterprises and foreign invested enterprises provided that various transitional periods for existing preferential tax policies were contemplated for foreign invested enterprises that were entitled to preferential treatments. On 6 December 2007, the implementation rules of the new EIT Law were promulgated and took effect on 1 January 2008 (the "**Implementation Rules**"). According to the new EIT Law and the Implementation Rules, we would be subject to the uniform tax rate of 25% from the implementation date of this law. However, pursuant to《國務院關於實施企業所得稅過渡優惠政策的通知》(Notice of the State Council on the implementation of transitional preferential policies in respect of the EIT*) promulgated on 26 December 2007 and took effect on 1 January 2008, two of our subsidiaries in the PRC, namely Zhucheng Eternal Knitting and Zhucheng Yumin Knitting, had continued to enjoy their preferential treatment of tax exemption and tax benefit up to the expiry of their preferential treatment term, that was, 31 December 2008 and 31 December 2010 respectively. Please refer to the section headed "Financial information — Results of our Group's operations — Principal comprehensive income statement components — Income tax expense — Corporate income tax" of this prospectus for the details of the tax benefits enjoyed by us in the PRC during the Track Record Period.

As the tax benefits enjoyed by us during the Track Record Period has ended, our future profit after taxation and financial position may be materially and adversely affected. Our Directors cannot assure you that our future performance will be in line with our historical performance.

Future movements in exchange rates may adversely affect our financial position and results of operation.

During the Track Record Period, a substantial portion of our revenue was generated from our export sales and was denominated in US dollars. Sales denominated in US dollars during the Track Record Period accounted for approximately 85.9%, 85.3%, 64.0% and 67.8% of our total revenue respectively. On the other hard, most of our operating expenses are denominated in Renminbi. Some of our trade payables are denominated in Japanese Yen. Accordingly, our operations are exposed to the fluctuation in exchange rates of RMB against US dollars and Japanese Yen.

On 21 July 2005, the People's Bank of China (the "**PBOC**") announced that the exchange rate of US dollars to Renminbi would be adjusted from US$1 to RMB8.27 to US$1 to RMB8.11, and it ceased to peg Renminbi to the US dollars. Instead, Renminbi is now pegged to a basket of currencies, which components are adjusted based on changes in market demand and supply under a set of systematic principles. On 23 September 2005, the PRC government widened the daily trading band for Renminbi against non-US dollars currencies from 1.5% to 3.0% to increase the flexibility of the new foreign exchange system. Renminbi may be revalued further against the US dollars or other currencies or, may be permitted to enter into a full or limited free float in the future, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollars or other currencies.

During the Track Record Period, we recorded net exchange loss of approximately RMB438,000, RMB236,000, RMB1,449,000 and RMB1,017,000 respectively. There was a decrease in exchange loss for the year ended 31 December 2009 as compared with that of 2008, since the Renminbi exchange rate against the US dollars remained relatively stable during 2009 when compared with that for the year 2008. The exchange loss for the year ended 31 December 2010 and for the six months ended 30 June 2011 has risen to RMB1,449,000 and RMB1,017,000 respectively due to the appreciation of Renminbi during the periods.

Moreover, the relaxation of the RMB-US dollars peg may contribute to the volatility of the value of Renminbi. Further appreciation of the Renminbi may cause our products to become relatively more expensive, which could weaken our products' price competitiveness. This could have a material adverse effect on our business, financial condition, and results of operations. On the contrary, any depreciation of Renminbi would affect the value of the dividends payable on the Shares and other amounts payable by us in foreign currency terms. We have not implemented any formal policies to cover our foreign exchange exposure and, therefore, we will be exposed to fluctuations in the exchange rates of RMB and our results may be adversely affected.

Your attention is also drawn to note 6 — "Financial Instruments — Financial risk management objectives and policies — Foreign currency risk — Sensitivity analysis" to the Accountants' Report set out in Appendix I to this prospectus.

Restriction on currency conversion may limit our ability to remit dividends and affect our business.

Renminbi currently is not a freely convertible currency. Existing restrictions on the conversion of Renminbi into foreign currencies may affect our ability to convert Renminbi into foreign currencies (and thus restrict the subsequent repatriation of those funds). Such restrictions include, among other things, the approval from SAFE or its local branches for the conversion of Renminbi into foreign currency and remittance out of China thereafter. In addition, any tightening of such restrictions, including but not limited to the future imposition of restrictions on foreign exchange transactions for current-account items such as the payment of dividends, may limit our ability to use resources generated in Renminbi to fund our business activities outside China.

Besides, while the proceeds to be raised from the Share Offer will be denominated in HK dollars, our functional currency is Renminbi. There is no assurance that HK dollars can be converted into Renminbi at all times, and any restriction on such conversion may restrict our utilisation of, or even render us unable to utilise, the proceeds to be received by us from the Share Offer for implementation of our future plans and thus our business may be adversely affected.

As most of our operating costs are denominated in Renminbi, our business and operating results may be materially and adversely affected in the event of a severe increase or decrease in the value of Renminbi against other currencies. The value of Renminbi is subject to changes in the PRC's governmental policies and to international economic and political developments. Any significant appreciation of Renminbi would result in an adverse impact on the conversion of the proceeds to be received by us from the Share Offer and future financing into Renminbi for our operations, and any material devaluation of Renminbi against the HK dollars could adversely affect the amount of any cash dividends on our Shares in HK dollars term.

Any increase in interest rates in the PRC may materially affect our results.

As at the Latest Practicable Date, the PBOC set the benchmark interest rate for over five years Renminbi denominated loans to be approximately 7.05% per annum. As at 31 October 2011, being the latest practicable date for the purpose of ascertaining our indebtedness position, we had in aggregate banking facilities of approximately RMB135.3 million, of which approximately RMB85.3 million had been utilised and the amount of our indebtedness was approximately RMB95.3 million. We may in future incur new debt obligations to finance our operations and our borrowings carrying interest at floating rates will expose us to interest rate risk resulting from fluctuations in the relevant reference rates. Any further increase in interest expense may have a material adverse effect on our business, financial position and results of operations.

The outbreak of any severe contagious diseases in the PRC, if uncontrolled, could affect the financial performance and prospects of our Group.

The outbreak of any severe contagious disease in the PRC, if uncontrolled, could have an adverse effect on the overall business sentiments and environment in the PRC.

During the Track Record Period, all of our manufacturing operations were in the PRC. If any of our employees is affected by any severe contagious disease outbreaks, we may be required to temporarily shut down the affected production facilities and quarantine all staff working there to prevent the spread of the disease. This could adversely affect and/or disrupt our production at the relevant plants and impact our financial performance.

Payment of, and tax exemptions on, dividends are subject to restriction under the PRC laws.

The PRC laws require that dividends be paid only out of the net profit calculated according to the generally accepted accounting principles in the PRC, which differ from the generally accepted accounting principles in other jurisdictions. The PRC laws also require our subsidiaries in the PRC to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. As a result, our ability to pay dividends will be restricted by the prevailing PRC laws.

In addition, our Company was incorporated in the BVI and holds interests in our subsidiaries in the PRC through Grand Concord (HK), a Hong Kong incorporated company. As foreign legal entities, dividends derived from our Group's business operations in the PRC for earnings generated prior to 1 January 2008 are currently not subject to income tax under PRC laws. However, we cannot assure you that such dividends will continue to be exempted from EIT. Under the existing EIT Law, if a foreign entity is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since 1 January 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》(Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income) signed on 21 August 2006, which in Hong Kong, applies to income derived in any year of assessment commencing on or after 1 April 2007 and in the PRC, in any year commencing on or after 1 January 2007, dividends paid by a foreign-invested enterprise in the PRC to its shareholder(s) in Hong Kong will be subject to withholding tax at a rate of 5% if such Hong Kong shareholder(s) directly holds 25% or more interest in the PRC enterprise. Any increase in the EIT rate applicable to us or discontinuation or reduction of any of the preferential tax treatments or financial incentives currently enjoyed by our subsidiaries in the PRC could adversely affect our business, operating results and financial condition.

Pursuant to《國家稅務總局關於如何理解和認定稅收協定中"受益所有人"的通知》(Notice of the State Administration of Taxation on How to Understand and Identify the "Beneficial Owner" under the Double Tax Agreement*) promulgated on 27 October 2009, if the foreign shareholder incorporated or registered in the jurisdiction of the countries with which the PRC has entered into double taxation agreements, including Hong Kong, is an agent, a conduit company or a company that does not carry out substantial business activities in such jurisdiction, it may not be regarded as a "beneficial owner" and thus cannot enjoy the preferential tax treatments under the double taxation agreements. We cannot assure you that Grand Concord (HK) may be recognised by the PRC tax authorities as a "beneficial owner" that is entitled to enjoy the preferential withholding tax rate of 5% under the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income.

In addition, the Implementation Rules currently in force provide that if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to EIT at the rate of 25% on its worldwide income. Currently, certain members of our Group's management are located in the PRC. If the PRC tax authorities consider that any of our non-PRC entities is a deemed PRC tax resident enterprise after the effective date of the EIT Law and its Implementation Rules, such deemed PRC tax resident enterprise would be subject to an EIT of 25% on its worldwide income (including dividend income receivable from its subsidiaries), which excludes the dividends receivable directly from another PRC tax resident. However, there have been no official implementation rules regarding the determination of the "de facto management organisation" for foreign enterprises which are not controlled by enterprises in the PRC (including companies like ourselves). We cannot assure you that we will not be considered as a "resident enterprise" under the EIT Law and not be subject to EIT at the rate of 25% on our income generated both inside and outside the PRC.

Enforcement of judgments obtained from non-PRC courts may be difficult.

Our Company was incorporated in the BVI. A substantial part of our assets and operations are located however within the PRC. The PRC currently does not have effective treaties or arrangements which provide reciprocal recognition and enforcement of judgments of the courts of the United States, the United Kingdom or other countries, and therefore, it may not be possible for investors to effect service of process upon us or to enforce against us any judgments obtained in such jurisdictions.

The PRC is a signatory of the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("**New York Convention**") which permits enforcement in the PRC of awards of arbitral bodies located in other New York Convention signatory countries, subject to certain exceptions. Even in cases where enforcement is, in principle, provided for by the New York Convention, practical difficulties are sometimes encountered.

The PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters, pursuant to which a party with a final court judgment rendered by a Hong Kong court in respect of a judgment sum payable under a civil and commercial action may apply for enforcement of such judgment in the PRC, and vice versa. However, it is impossible to enforce a judgment rendered by the Hong Kong court in the PRC if there is no prior agreement as to the choice of court.

PRC regulations may limit our ability to make additional capital contributions to our subsidiaries in the PRC.

We are an offshore holding company with our businesses substantially in the PRC operated through our subsidiaries in the PRC. For the future expansion of our operations, we may utilise the proceeds we expect to receive from the Offer Shares to make additional capital contributions or loans to our subsidiaries in the PRC. Under the current PRC regulations, any capital contributions or loans to foreign-invested enterprises in the PRC, depending on the amount of total contribution or advance, require approval by or registration with the relevant governmental authorities in the PRC.

Should we fail to complete all the necessary government registrations or obtain all the necessary government approvals on a timely basis with respect to future capital contributions made or loans advanced by us to our subsidiaries in the PRC, our ability to use the proceeds to be received by us from the Offer Shares to capitalise or otherwise fund our operations in the PRC could be materially and adversely affected. Any such limitation on funding would result in a reduced liquidity and would adversely affect our ability to fund and expand our businesses in the PRC.

The new PRC Labour Contract Law may have an impact on our Group's operations and our labour costs may increase as we may be liable to fines and penalties for any material breach of the new law.

The Standing Committee of the National People's Congress adopted《中華人民共和國勞動合同法》(Labour Contract Law of the PRC*) ("**Labour Contract Law**") on 29 June 2007 which became effective on 1 January 2008. The Labour Contract Law imposes requirements relating to, among others, minimum wage, severance payment and non-fixed term employment contracts, and establishes time limits for probation periods as well as the duration and the number of times that an employee can be placed on a fixed term employment contract. It also provides that social insurance is required to be paid on behalf of the employees and the employees are entitled to unilaterally terminate the labour contract if this requirement is not satisfied.

Pursuant to this new law, our subsidiaries in the PRC are required to enter into non-fixed term employment contracts with employees who have worked for them for more than ten years or, unless otherwise provided under the new law, for whom a fixed term employment contract has been concluded for two consecutive terms since 1 January 2008. Our Group may not be able to efficiently terminate non-fixed term employment contracts under the new law without cause. In addition, our Group is required to make severance payments to employees under the fixed term contracts upon the expiration of their employment contracts, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is calculated based on the monthly wage of the employee multiplied by the number of full years that the employee was employed by the employer, unless the employee's monthly wage is three times higher than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of 12 years.

Compliance with the relevant laws and regulations may substantially increase our Group's operating costs and may have a material adverse effect on the results of operations of our Group. In particular, an increase in the labour costs in the PRC will increase our production costs and we may not be able to pass these increases on to our customers due to competitive pricing pressures. We cannot assure you that any employment disputes or strikes will not arise in the future. Increases in our labour costs and future disputes with our employees could adversely affect the business, financial condition or results of operations of our Group.

Acts of God, acts of war and other disasters could affect our business.

Our business is subject to the general economic and social conditions in the PRC and our countries of export. Many major cities in the PRC and Japan, which is our major country of export, are under the threat of flood, earthquake, sandstorm, snowstorm or drought. For instance, the serious earthquakes in Japan in March 2011 and in Sichuan Province in May 2008, and the unexpected snowstorm in the PRC around the Chinese New Year in 2008 had caused disruptions to economic activities in Japan and China respectively. During the Track Record Period, we manufactured, processed and handled all of the fabric and innerwear products in our production facilities in Zhucheng, Shandong, the PRC, and we sold a substantial portion of our products to Japanese customers. Our operations are subject to uncertainties and contingencies beyond our control such as industrial accidents, fires, floods, droughts, natural disasters, epidemics and other catastrophes or acts of God, which may all result in material disruptions, preventing us from meeting customer orders, increasing our costs of production and consequently adversely affecting our revenue and profits. Such events, if happen, will increase our equipment downtimes, and strikes or other labour difficulties and disruptions of public infrastructure such as roads, ports or pipelines may occur in our existing production lines housed in the factory blocks at our principal production base. Acts of war and terrorist attacks may cause damage or disruption to us, our employees, our customers and our markets, any of which could adversely impact our revenue, cost of sales, overall results and financial condition. Potential wars or terrorist attacks may also cause uncertainty and cause our business to suffer.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares.

Prior to the Share Offer, there was no public market for the Shares. The Offer Price was the result of negotiations between our Company and the Lead Manager (on behalf of the Underwriters). You should not view the Offer Price as any indication of the price that will prevail in the trading market. The market price for the Shares may decline below the Offer Price. We have applied to list and deal in the Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active and liquid trading market for the Shares will develop or be sustained following the Share Offer or in the future.

The market price of the Shares may be volatile.

The trading price of the Shares could be subject to significant volatility in response to, among other factors:

- investor perceptions of our Group and our future plans;
- variations in our Group's operating results;
- changes in pricing made by us or our competitors;
- technological innovations;

- changes to senior management;
- the depth and liquidity of the market for the Shares; and
- general economic and other factors.

Any material changes in the above factors could cause the market price of the Shares to change substantially.

Concentrated ownership and our Controlling Shareholders may exert substantial influence over us and may not act in the best interests of our independent Shareholders.

Immediately upon completion of the Share Offer, our Controlling Shareholders will own approximately 63.42% of our issued Shares. Our Controlling Shareholders will be in a position to exert significant influence over our affairs, and will be able to influence the outcome of any Shareholders' resolution, irrespective of how other Shareholders may vote. The interests of our Controlling Shareholders may not necessarily be aligned with that of independent Shareholders, and this concentration on ownership may also have the effect of delaying, deferring or preventing a change in control of our Company.

Investors will experience dilution of pro forma adjusted net tangible asset value because the Offer Price is higher than our net tangible book value per Share and may also experience dilution if we issue new Shares in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Share Offer, purchasers of our Shares in the Share Offer will experience an immediate dilution in the pro forma net tangible asset value per Share. We may consider offering and issuing new Shares in the future. Investors of our Shares may experience dilution in the net tangible asset value per share of their Shares if we issue new Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

There may be dilution of shareholding as a result of additional issue of Shares in the future.

We may issue additional Shares pursuant to our Share Option Scheme. We may also need to raise additional funds in the future to finance the expansion of our new developments relating to our existing operations or new acquisition through, among other options, the issuance of new equity or equity-linked securities of our Company. If new Shares are issued for such purposes other than on a pro-rata basis to existing Shareholders, the percentage of ownership of our then Shareholders in our Company may be diluted. Such new Shares and/or securities may also have rights, preferences and privileges senior to the Shares.

Our historical financial information may not represent future performance, which may affect our future dividend policy.

Our future financial performance, which will directly impact our future dividend policy, is subject to our business performance, future plans and profitability. As a result, we cannot make any prediction as to our future performance nor can we give assurance that our future financial results will reflect our historical and current financial performance, or the financial results we anticipate.

The declaration and payment of dividends and the amount of dividends fall upon the discretion of our Directors. Any proposed dividends by our Directors depend on various factors including, but not limited to, our operating results, future profits, financial position, regulatory capital requirements, working capital requirements, general economic conditions or any other factors which are considered relevant by our Board. As a result, our historical dividend distributions may not reflect our future dividend distribution policy. Potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis for predicting future dividends. Please refer to the section headed "Financial information — Dividend and dividend policy" of this prospectus for more details.

Our Directors cannot assure that our future performance will be in line with our historical performance, nor can our Directors assure that we will make future dividends payments or our future dividend policy will reflect our historical dividend payments.

We cannot guarantee the accuracy of the statistics and industry information that are derived from various official sources.

Certain facts, statistics and data presented under the section headed "Industry overview" and elsewhere in this prospectus relating to the PRC, the textile and garment industry and other relating information have been derived, in part, from various official government publications. Although reasonable steps have been taken by our Directors to ensure that such information and statistics were extracted accurately from reliable official government publications, neither our Group, our Directors, the Sponsor nor any of the parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. There is no assurance that statistics derived from multiple official government publications will be prepared on a comparable basis or that such information and statistics will be stated or prepared in the same standard or level of accuracy as, or consistent with, those in other publications within or outside the PRC. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.