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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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### BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business — Business strategies” in this prospectus for the Group’s business objectives and strategies.

### IMPLEMENTATION PLANS

In order to implement the business objectives and strategies as described above, set forth below are the implementation plans of the Group for each of the six-month periods from the Latest Practicable Date until 31 March 2020. It should be noted that the implementation plans are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” below. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk factors” in this prospectus. The Group’s actual course of business may vary from the business objective set out in this prospectus. There can be no assurance that the plans of the Group will materialise in accordance with the expected time frame or that the objective of the Group will be accomplished at all.

	Use of proceeds	From the Latest Practicable Date to 30 September 2017
Strengthening and diversifying the Group’s customer base	HK\$0.5 million	● Arrange sales visits and co-organise private exhibitions to explore new business opportunities
	HK\$0.15 million	● Visit, make presentations to, and develop relationships with potential customers
	HK\$0.15 million	● Participate in more trade fairs and fashion shows to increase the market presence of the Group
Further expanding the Group’s product variety to cater for the customers’ need	HK\$0.4 million	● Set up a new design team and recruit up to 3 designers and relevant staff focusing on cut-and-sewn knitwear and seamless knitwear
	HK\$1.2 million	● Purchase the computer graphic design system to support the product design and development

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	Use of proceeds	<b>From the Latest Practicable Date to 30 September 2017</b>
Enhancing the Group's design and development capabilities	HK\$0.3 million	<ul style="list-style-type: none"> <li>● Sponsor the designers and other relevant staff to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how</li> </ul>
	HK\$0.2 million	<ul style="list-style-type: none"> <li>● Upgrade various computer software to improve the design efficiency</li> </ul>
Enhancing the Group's inventory management to strengthen operational efficiency	HK\$2.5 million	<ul style="list-style-type: none"> <li>● Purchase and maintain certain levels of raw materials in preparation for additional and increasing orders from customers</li> </ul>
	Use of proceeds	<b>For the six months ending 31 March 2018</b>
Strengthening and diversifying the Group's customer base	HK\$0.5 million	<ul style="list-style-type: none"> <li>● Arrange sales visits and co-organise private exhibitions to explore new business opportunities</li> </ul>
	HK\$0.15 million	<ul style="list-style-type: none"> <li>● Visit, make presentations to, and develop relationships with potential customers</li> </ul>
	HK\$0.15 million	<ul style="list-style-type: none"> <li>● Continue to participate in more trade fairs and fashion shows to increase the market presence of the Group</li> </ul>
Further expanding the Group's product variety to cater for the customers' need	HK\$0.6 million	<ul style="list-style-type: none"> <li>● Conduct market and design search on the trend and production techniques of cut-and-sewn knitwear and seamless knitwear</li> </ul>
	HK\$0.7 million	<ul style="list-style-type: none"> <li>● Continue to develop and create more promotion samples for presentation to existing and potential customers</li> </ul>

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	Use of proceeds	<b>For the six months ending 31 March 2018</b>
Enhancing the Group's design and development capabilities	HK\$1.85 million	<ul style="list-style-type: none"> <li>● Open a new office and a showroom for expansion of the Group's design team and account servicing team in Japan</li> </ul>
	HK\$0.82 million	<ul style="list-style-type: none"> <li>● Recruit up to about 3 designers and 2 accounting servicing staff to strength the Group's design and business development capabilities</li> </ul>
	HK\$0.1 million	<ul style="list-style-type: none"> <li>● Sponsor the designers and other relevant staff to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how</li> </ul>
	HK\$0.05 million	<ul style="list-style-type: none"> <li>● Upgrade various computer software to improve the design efficiency</li> </ul>
	HK\$0.3 million	<ul style="list-style-type: none"> <li>● Purchase a colour matching machine to strengthen the quality control efficiency</li> </ul>
Enhancing the Group's inventory management to strengthen operational efficiency	HK\$2.48 million	<ul style="list-style-type: none"> <li>● Purchase and maintain certain levels of raw materials in preparation for additional and increasing orders from customers</li> </ul>
	Use of proceeds	<b>For the six months ending 30 September 2018</b>
Strengthening and diversifying the Group's customer base	HK\$0.6 million	<ul style="list-style-type: none"> <li>● Arrange sales visits and co-organise private exhibitions to explore new business opportunities</li> </ul>
	HK\$0.15 million	<ul style="list-style-type: none"> <li>● Visit, make presentation to, and develop relationships with potential customers</li> </ul>

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	Use of proceeds	<b>For the six months ending 30 September 2018</b>
	HK\$0.15 million	<ul style="list-style-type: none"> <li>● Continue to participate in more trade fairs and fashion shows to increase the market presence of the Group</li> </ul>
Further expanding the Group's product variety to cater to the customers' need	HK\$1.0 million	<ul style="list-style-type: none"> <li>● Continue to develop and create more promotion samples for presentation to existing and potential customers</li> </ul>
	HK\$0.6 million	<ul style="list-style-type: none"> <li>● Arrange sales visits to customers to make presentation on the seamless knitwear and cut-and-sewn knitwear</li> </ul>
Enhancing the Group's design and development capabilities	HK\$0.9 million	<ul style="list-style-type: none"> <li>● Sponsor the designers and other relevant staff to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how</li> </ul>
	HK\$0.25 million	<ul style="list-style-type: none"> <li>● Continue to upgrade various computer software to improve the design efficiency</li> </ul>
Enhancing the Group's inventory management to strengthen operational efficiency	HK\$2.1 million	<ul style="list-style-type: none"> <li>● Purchase and maintain certain levels of raw materials in preparation for additional and increasing orders from customers</li> </ul>
	HK\$0.5 million	<ul style="list-style-type: none"> <li>● Purchase an inventory management system to strengthen the Group's operational efficiency</li> </ul>
	Use of proceeds	<b>For the six months ending 31 March 2019</b>
Strengthening and diversifying the Group's customer base	HK\$0.65 million	<ul style="list-style-type: none"> <li>● Arrange sales visits and co-organise private exhibitions to explore new business opportunities</li> </ul>

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	Use of proceeds	<b>For the six months ending 31 March 2019</b>
	HK\$0.15 million	<ul style="list-style-type: none"> <li>● Visit, make presentation to, and develop relationships with potential customers</li> </ul>
	HK\$0.15 million	<ul style="list-style-type: none"> <li>● Continue to participate in more trade fairs and fashion shows to increase the market presence of the Group</li> </ul>
Further expanding the Group's product variety to cater for the customers' need	HK\$1.6 million	<ul style="list-style-type: none"> <li>● Continue to develop and create more promotion samples for presentation to existing and potential customers</li> </ul>
	HK\$1.2 million	<ul style="list-style-type: none"> <li>● Purchase the computer graphic design system to support the product design and development</li> </ul>
Enhancing the Group's design and development capabilities	HK\$0.8 million	<ul style="list-style-type: none"> <li>● Sponsor the designers and other relevant staff to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how</li> </ul>
	HK\$0.25 million	<ul style="list-style-type: none"> <li>● Continue to upgrade various computer software to improve the design efficiency</li> </ul>
Enhancing the Group's inventory management to strengthen operational efficiency	HK\$2.8 million	<ul style="list-style-type: none"> <li>● Purchase and maintain certain levels of raw materials in preparation for additional and increasing orders from customers</li> </ul>
	<b>Use of proceeds</b>	<b>For the six months ending 30 September 2019</b>
Strengthening and diversifying the Group's customer base	HK\$0.6 million	<ul style="list-style-type: none"> <li>● Arrange sales visits and co-organise private exhibitions to explore new business opportunities</li> </ul>

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	<b>Use of proceeds</b>	<b>For the six months ending 30 September 2019</b>
	HK\$0.15 million	<ul style="list-style-type: none"> <li>● Visit, make presentation to, and develop relationships with potential customers</li> </ul>
	HK\$0.15 million	<ul style="list-style-type: none"> <li>● Continue to participate in more trade fairs and fashion shows to increase the market presence of the Group</li> </ul>
Further expanding the Group's product variety to cater to the customers' need	HK\$1.6 million	<ul style="list-style-type: none"> <li>● Continue to develop and create more promotion samples for presentation to existing and potential customers</li> </ul>
Enhancing the Group's design and development capabilities	HK\$0.7 million	<ul style="list-style-type: none"> <li>● Sponsor the designers and other relevant staff to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how</li> </ul>
	HK\$0.25 million	<ul style="list-style-type: none"> <li>● Continue to upgrade various computer software to improve the design efficiency</li> </ul>
Enhancing the Group's inventory management to strengthen operational efficiency	HK\$3.0 million	<ul style="list-style-type: none"> <li>● Purchase and maintain certain levels of raw materials in preparation for additional and increasing orders from customers</li> </ul>
	<b>Use of proceeds</b>	<b>For the six months ending 31 March 2020</b>
Strengthening and diversifying the Group's customer base	HK\$0.65 million	<ul style="list-style-type: none"> <li>● Arrange sales visits to existing customers to keep pace with the changes in consumer preferences</li> </ul>
	HK\$0.15 million	<ul style="list-style-type: none"> <li>● Visit, make presentation to, and develop relationship with potential customers</li> </ul>

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	Use of proceeds	For the six months ending 31 March 2020
	HK\$0.15 million	<ul style="list-style-type: none"><li>• Continue to participate in more trade fairs and fashion shows to increase the market presence of the Group</li></ul>
Further expanding the Group's product variety to cater for the customers' need	HK\$1.65 million	<ul style="list-style-type: none"><li>• Continue to develop and create more promotion samples for presentation to existing and potential customers</li></ul>
Enhancing the Group's design and development capabilities	HK\$1.0 million	<ul style="list-style-type: none"><li>• Sponsor the designers and other relevant staff to attend trade fairs and fashion shows to enhance their understanding of latest fashion trend and industry know-how</li></ul>
	HK\$0.2 million	<ul style="list-style-type: none"><li>• Continue to upgrade various computer software to improve the design efficiency</li></ul>
Enhancing the Group's inventory management to strengthen operational efficiency	HK\$2.2 million	<ul style="list-style-type: none"><li>• Purchase and maintain certain level of raw materials in preparation for additional and increasing orders from customers</li></ul>

### BASES AND ASSUMPTIONS

The Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 March 2020.

- (a) there will be no material changes in the existing laws and regulations, or other governmental policies relating to the Group; or in the political, economic or market conditions in which the Group operates;
- (b) there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of the Group operates or will operate or is incorporated;
- (c) the Share Offer will be completed in accordance with and as described in the section headed "Structure and conditions of the Share Offer" in this prospectus;
- (d) the Group is able to retain its customers and suppliers;

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- (e) the Group will be able to retain key staff in the management and the main operational departments;
- (f) the Group will not be materially affected by any risk factors set out in the section headed “Risk factors” in this prospectus; and
- (g) the Group will be able to continue its operations in substantially the same manner as the Group has been operating during the Track Record Period and the Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

### REASONS FOR THE SHARE OFFER

The Directors believe that the commercial rationale of the Listing is as follow:

- **Potential growth in Japan apparel market provides the justification for expansion by the Group and its business strategies**

According to Euromonitor Report, the Japan apparel retail market experienced stagnant growth from 2011 to 2015 because of the sustained economic downturn in Japan that caused a drop in disposable income. As a result, the consumption pattern in Japan apparel retail market has gradually shifted to the local apparel brands and other imported fast fashion brands with affordable price. Since the Group’s knitwear products were mainly supplied to those low and middle priced fashion brands, the Directors consider that the stagnant growth in Japan apparel retail industry did not have any material impact on the Group’s business as evidenced by the increases in the Group’s revenue, sales volume and number of brands supplied by the Group during the Track Record Period. The Directors believe that, through various marketing activities, the Group will be able to solicit new customers as well as new fashion brands, which will in turn drive the growth of the Group’s business.

Furthermore, according to Euromonitor Report, the apparel retail market in Japan is expected to recover due to growing popularity of internet apparel retailing, increasing inbound tourism and changing consumer pattern. The retail sale value of apparel in Japan is expected to grow at CARG of approximately 3.4% from 2016 to 2020. The Directors believe that such projected growth in the Japan apparel retail market will boost the demand for knitwear from both existing and potential customers, which will, in turn, bring more business opportunities to the Group. This therefore justifies the intention of the Directors to expand its operation scale and increase the market presence in the industry by implementation of its business plan so that the Group will be able to grasp new opportunities that lie ahead.

In view of the foregoing, the Directors believe that there are vast opportunities for the Group to grow which justifies the Group’s business strategies and implementation plans.



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- **Strengthen the Group's financial position to capture more business opportunities**

During the Track Record, the Group has been able to maintain trade and bills receivables turnover days of approximately 8 days and 15 days for the two years ended 31 March 2016, respectively. However, the Group recorded net current liabilities of approximately HK\$6.6 million as at 31 March 2015 and net current assets of approximately HK\$18.1 million as at 31 March 2016. Net current liabilities position of the Group as at 31 March 2015 was primarily due to the outstanding bank loan balance of approximately HK\$35.5 million and amounts due to related parties of approximately HK\$9.4 million which were used for financing the Group's daily operations. The Directors consider that liquidity and cash flow are important to the Group since there are often time lags between making payments to the suppliers and receiving payments from the customers. In deciding whether to take up the purchase orders in bulk quantities, the Group would consider, among other things, the stock-up inventory level, the availability of raw materials and the amount of available working capital. The Directors believe that the raising capital in the equity market through the Listing would strengthen the Group's liquidity and cash flow thereby allowing the Group to undertake more sales orders of sizable scale for expansion of its business.

- **Successful Listing would facilitate the implementation of the Group's business strategies by accessing the capital market for raising funds both at the time of the Listing and at later stages when opportunities arise**

During the Track Record Period, the Group mainly utilised its banking facilities and internal resources for its business operations. As at 31 March 2017, the Group's cash and bank balances was approximately HK\$38.5 million and the Group had a total unrestricted banking facilities of approximately HK\$92.0 million, of which approximately HK\$59.0 million were trust receipt loan and invoice financing loan, and the remaining HK\$33.0 million were revolving loan. Out of the total available HK\$92.0 million of the aforesaid banking facilities, the Group had utilised a total of HK\$12.3 million of trust receipt loan and invoice financing loan and HK\$8.0 million of revolving loan. The Group had an unrestricted unutilised banking facilities approximately HK\$71.7 million as at 31 March 2017. Nevertheless, the Directors consider that debt financing is not desirable as the fund is repayable and not permanent in nature and the interest expenses would impose additional cash flow burden to the Group and further increase the gearing level of the Group. The Directors consider that while the Group maintains a healthy cash level to support its existing operations, the net proceeds from the Share Offer are necessary for the implementation of the Group's business plans which requires considerable additional financial resources. Furthermore, the Directors believe that the listing of the Shares on GEM would provide a platform for the Group to access the capital market for future secondary fund raising through the issuance of shares and for debt securities to fund its further expansion and long-term development needs, which could involve lower financing cost as opposed to interest-bearing bank loans and enhance the ability to obtain favourable terms of bank financing with a listed entity as compared to a private entity.

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- **Other commercial benefits arising from a public listing status**

The Directors believe that a public listing status on GEM will enhance the Group's corporate profile and its credibility with the public and its business partners which in turn will increase the Group's bargaining power in negotiating terms with potential customers and suppliers. It will also offer the Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares as compared to the limited liquidity of the Shares that are private held before the Listing. Furthermore, the Directors believe that the Group's internal control and corporate governance practices could be further enhanced following the Listing, which will in turn increase the confidence of its customers and suppliers on the Group.

### USE OF PROCEEDS

As set out in the section headed "Business — Business strategies", the Group plans to implement the following strategies (i) strengthening and diversifying the Group's customer base; (ii) further expanding the Group's product variety to cater for the customers' need; (iii) enhancing the Group's design and development capabilities; and (iv) enhancing the Group's inventory management to strengthen operational efficiency.

The net proceeds from the Share Offer, after deducting the related expenses, are estimated to be approximately HK\$39.4 million (based on the Offer Price of HK\$0.52 per Offer Share, being the mid-point of the indicative Offer Price range). The Directors intend that the net proceeds will be applied as follows:

- approximately 13.5% of the net proceeds, or approximately HK\$5.3 million, for strengthening and diversifying the Group's customers base;
- approximately 26.8% of the net proceeds, or approximately HK\$10.55 million, for further expanding the Group's product mix to cater to the customers' need;
- approximately 20.2% of the net proceeds, or approximately HK\$7.97 million, for enhancing the Group's design and development capabilities; and
- approximately 39.5% of the net proceeds, or approximately HK\$15.58 million, for enhancing the Group's inventory management to strengthen operational efficiency.

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

In summary, the implementation of the Group's business objectives and strategies from the Latest Practicable Date to 31 March 2020 will be funded by the net proceeds from the Share Offer (based on the Offer Price of HK\$0.52 per Offer Share, being the mid-point of the indicative Offer Price range) as follows:

	From the Latest Practicable Date to		For the six months ending				Total
	30 September 2017	31 March 2018	30 September 2018	31 March 2019	30 September 2019	31 March 2020	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Strengthening and diversifying the Group's customers base	0.80	0.80	0.90	0.95	0.90	0.95	5.30
Further expanding the Group's product mix to cater to the customers' need	1.60	1.30	1.60	2.80	1.60	1.65	10.55
Enhancing the Group's design and development capabilities	0.50	3.12	1.15	1.05	0.95	1.20	7.97
Enhancing the Group's inventory management to strengthen operational efficiency	2.50	2.48	2.60	2.80	3.00	2.20	15.58
	<u>5.40</u>	<u>7.70</u>	<u>6.25</u>	<u>7.60</u>	<u>6.45</u>	<u>6.00</u>	<u>39.40</u>

In the event that the final Offer Price is set at the high-end or the low-end of the proposed Offer Price range, namely HK\$0.64 and HK\$0.40 per Offer Share, the net proceeds of the Share Offer will increase or decrease by approximately HK\$13.8 million and HK\$13.8 million, respectively. In the event that the Offer Price is set at a higher or lower level compared to the mid-point of the Offer Price range, the above allocation of the net proceeds from the Share Offer will be adjusted on a pro-rata basis.

The Directors consider that the net proceeds from the Share Offer and the Group's internal resources and the existing bank financing available to the Group will be sufficient to finance the Group's business plans up to the year ending 31 March 2020.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.