



My Heart Bodibra Group Limited

心心芭迪貝伊集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8297

PUBLIC OFFER

Sponsor



Sole Bookrunner



Joint Lead Managers



IMPORTANT

If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.

My Heart Bodibra Group Limited 心心芭迪貝伊集團有限公司 (incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PUBLIC OFFER

Number of Offer Shares : 120,000,000 Shares (including 1,200,000 Employee Reserved Shares)
Offer Price : Not more than HK\$0.6 per Offer Share and expected to be not less than HK\$0.4 per Offer Share (payable in full upon application, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund)
Nominal Value : HK\$0.01 each
Stock Code : 8297

Sponsor



Sole Bookrunner



Joint Lead Managers



Co-Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Wednesday, 5 July 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree. The Offer Price will not be more than HK\$0.6 per Offer Share and is currently expected to be not less than HK\$0.4 per Offer Share, unless otherwise announced. Applicants applying for the Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.60 for each Offer Share together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is lower than the maximum Offer Price.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of applications in the Public Offer, and with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of such reduction will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.bodibra.com. Further details are set out in "Structure and Conditions of the Public Offer".

If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, the Public Offer will not become unconditional and will lapse.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in "Risk Factors".

Pursuant to the termination provisions contained in the Underwriting Agreement, the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) have the absolute right in certain circumstances to terminate the obligations of the Underwriters under the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Thursday, 13 July 2017). Further details of these termination provisions are set out in "Underwriting". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with Regulation S of the U.S. Securities Act.

26 June 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies in which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is by publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Public Offer, we will issue an announcement in Hong Kong to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bodibra.com.

2017^(Note 1)

Latest time for lodging PINK Application Forms at our Company's head office at 11/F., Linkchart Centre, 2 Tai Yip Street, Kwun Tong, Kowloon, Hong Kong.....	12:00 noon on Thursday, 29 June
Application lists open ^(Note 2)	11:45 a.m. on Friday, 30 June
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Friday, 30 June
Latest time for giving electronic application instructions to HKSCC ^(Note 3)	12:00 noon on Friday, 30 June
Application lists close ^(Note 2)	12:00 noon on Friday, 30 June
Expected Price Determination Date ^(Note 4)	Wednesday, 5 July
(1) Announcement of the final Offer Price, the level of applications in the Public Offer and the Employee Preferential Offering and the basis of allocation of the Offer Shares and the Employee Reserved Shares	Wednesday, 12 July
(2) Results of allocations in the Public Offer and the Employee Preferential Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Offer Shares and Employee Reserved Shares — 10. Publication of results" from	Wednesday, 12 July
(3) A full announcement containing (1) and (2) above to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.bodibra.com ^(Note 5) from.....	Wednesday, 12 July
Results of allocations in the Public Offer and the Employee Preferential Offering will be available at www.ewhiteform.com.hk/results with a "search by ID" function from	Wednesday, 12 July

EXPECTED TIMETABLE

2017^(Note 1)

Despatch of Share certificates or deposit of the Share certificates into
CCASS in respect of wholly or partially successful
applications pursuant to the Public Offer and the Employee
Preferential Offering on or around^(Notes 6 and 8) Wednesday, 12 July

Despatch of refund cheques in respect of wholly or partially successful
applications (if applicable) or wholly or partially unsuccessful
applications pursuant to the Public Offer and the Employee
Preferential Offering on or around^(Notes 7 and 8) Wednesday, 12 July

Dealings in the Shares on GEM expected to commence at 9:00 a.m. on..... Thursday, 13 July

Notes:

1. All times and dates refer to Hong Kong local time and date. If there is any change of the above expected timetable, a separate announcement will be made by our Company on the Stock Exchange's website and our Company's website accordingly.
2. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 30 June 2017, the application lists will not open or close on that day. See "How to Apply for Offer Shares and Employee Reserved Shares — 9. Effect of bad weather on the opening of the application lists". If the application lists do not open and close on Friday, 30 June 2017, the dates mentioned in this section may be affected.
3. Applicants who apply for Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for Offer Shares and Employee Reserved Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS".
4. The Offer Price is expected to be fixed on or about this date, being Wednesday, 5 July 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, the Public Offer will not become unconditional and will lapse.
5. None of our Company's website or any of the information contained in our Company's website forms part of this prospectus.
6. Share certificates will only become valid at 8:00 a.m. on Thursday, 13 July 2017 provided that the Public Offer has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk. If the Public Offer does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, we will make an announcement as soon as possible.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

EXPECTED TIMETABLE

8. Applicants who have applied on **WHITE** and/or **PINK** Application Forms for 1,000,000 Offer Shares or more and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 July 2017 or such other date as notified by us in the newspapers. Applicants being individuals who are eligible for personal collection must not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the company's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to the Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Offer Shares or more and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participant's stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** and/or **PINK** Application Form applicants.

Applicants who have applied for the Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Offer Shares and Employee Reserved Shares — 13. Despatch/collection of Share certificates and refund monies — Personal collection — (iii) If you apply via **electronic application instructions** to HKSCC" for details.

Any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' own risk, to the addresses specified in the relevant applications on or around Wednesday, 12 July 2017.

Further information is set out in "How to Apply for Offer Shares and Employee Reserved Shares — 12. Refund of application monies" and "How to Apply for Offer Shares and Employee Reserved Shares — 13. Despatch/collection of Share certificates and refund monies".

The above expected timetable is a summary only. You should refer to "Structure and Conditions of the Public Offer" and "How to Apply for Offer Shares and Employee Reserved Shares" for details of the structure of the Public Offer including the conditions of the Public Offer and the procedures for applying for the Offer Shares and the Employee Reserved Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sponsor, the Joint Lead Managers, the Sole Bookrunner and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Public Offer.

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SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” of this prospectus. You should read that section carefully before you decide whether to invest in the Offer Shares.

OVERVIEW

Established in 2003, we are a leading retailer of lingerie with shaping functions in Hong Kong, with production facilities in the PRC and Hong Kong. According to the Frost & Sullivan Report, in terms of the retail turnover for the year ended 31 December 2016, the functional lingerie market accounted for approximately 7.3% of the overall lingerie market in Hong Kong and we ranked second in that functional lingerie market in Hong Kong with a market share of approximately 25.6%.

We mainly design, develop, manufacture and sell our own branded lingerie targeting female customers aged 15 to 65. We principally offer lingerie that are designed with shaping functions which aim to achieve better body appearance, including bras, body shaping underwear and chest support vests. We also sell other complementary and ancillary products, primarily including breast cream, panties, nude bras, swimwear, bra straps and pads, and waist bands. All of our products are marketed and sold under our core brand “BOD^YBra” and four sub-brands, namely “JUNE”, “Oobiki”, “BOD^YCare” and “INV^YSI”.

A vast majority of our products are designed and produced in-house at our Shenzhen Factory and Hong Kong Factory. Our manufacturing processes involve skilled labour with the support of sewing machines and cutting machines.

We directly control, operate and manage our retail network comprising a total of nine retail stores in Hong Kong and two retail stores in the PRC as at the Latest Practicable Date, most of which are located in prime shopping areas.

SUMMARY AND HIGHLIGHTS

The table below sets forth the breakdown of our revenue by type of products during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Lingerie with shaping functions						
— Bras	27,295	53.6	31,934	57.4	44,739	57.6
— Body shaping underwear	11,470	22.5	9,972	17.9	12,039	15.5
— Chest support vests	3,910	7.7	6,256	11.3	11,262	14.5
Subtotal	<u>42,675</u>	<u>83.8</u>	<u>48,162</u>	<u>86.6</u>	<u>68,040</u>	<u>87.6</u>
Other complementary and ancillary products (<i>Note</i>)	4,144	8.2	5,302	9.5	5,922	7.6
Income from unused credit packages	<u>4,094</u>	<u>8.0</u>	<u>2,157</u>	<u>3.9</u>	<u>3,748</u>	<u>4.8</u>
Total	<u><u>50,913</u></u>	<u><u>100.0</u></u>	<u><u>55,621</u></u>	<u><u>100.0</u></u>	<u><u>77,710</u></u>	<u><u>100.0</u></u>

Note: These products primarily include breast cream, panties, nude bras, swimwear, bra straps and pads, and waist bands.

The following table sets forth our sales volume and the average selling price of our lingerie with shaping functions by type of products during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	<i>units</i>	<i>HK\$</i>	<i>units</i>	<i>HK\$</i>	<i>units</i>	<i>HK\$</i>
Bras	55,798	489.2	61,311	520.9	92,598	483.2
Body shaping underwear	6,993	1,640.2	6,198	1,608.9	7,563	1,591.9
Chest support vests	<u>9,010</u>	<u>434.0</u>	<u>12,259</u>	<u>510.3</u>	<u>23,069</u>	<u>488.2</u>
	<u><u>71,801</u></u>	<u><u>594.4</u></u>	<u><u>79,768</u></u>	<u><u>603.8</u></u>	<u><u>123,230</u></u>	<u><u>552.1</u></u>

SUMMARY AND HIGHLIGHTS

The following table sets out the breakdown of our revenue by geographical location during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong	48,619	95.5	54,781	98.5	77,137	99.3
PRC (<i>Note</i>)	<u>2,294</u>	<u>4.5</u>	<u>840</u>	<u>1.5</u>	<u>573</u>	<u>0.7</u>
Total	<u><u>50,913</u></u>	<u><u>100.0</u></u>	<u><u>55,621</u></u>	<u><u>100.0</u></u>	<u><u>77,710</u></u>	<u><u>100.0</u></u>

Note: During the years ended 31 March 2015 and 2016, revenue derived from the PRC primarily represented our sales to SZ BodiBra, a company which ceased business in December 2015 and was wholly-owned by Mr. Chan immediately before its deregistration in December 2016.

The following table sets forth the breakdown of our gross profit and gross profit margin by type of products (excluding income from unused credit packages) during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Lingerie with shaping functions						
— Bras	20,370	74.6	25,069	78.5	33,887	75.7
— Body shaping underwear	10,483	91.4	9,146	91.7	10,832	90.0
— Chest support vests	3,178	81.3	5,534	88.5	9,777	86.8
Other complementary and ancillary products (<i>Note</i>)	<u>3,597</u>	<u>86.8</u>	<u>4,660</u>	<u>87.9</u>	<u>5,221</u>	<u>88.2</u>
Total/overall	<u><u>37,628</u></u>	<u><u>80.4</u></u>	<u><u>44,409</u></u>	<u><u>83.1</u></u>	<u><u>59,717</u></u>	<u><u>80.7</u></u>

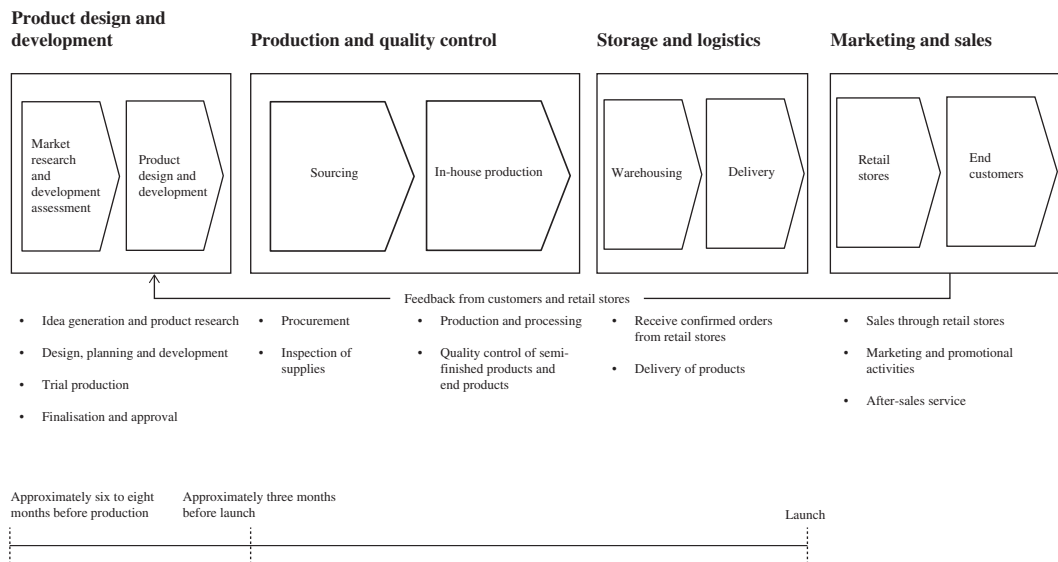
Note: These products primarily include breast cream, panties, nude bras, swimwear, bra straps and pads, and waist bands.

For the analysis on fluctuation of gross profit and gross profit margin by product types, see “Financial Information — Description and analysis of principal components in the consolidated statements of profit or loss and other comprehensive income — Gross profit and gross profit margin”.

SUMMARY AND HIGHLIGHTS

BUSINESS MODEL

The diagram below illustrates our business model.



SUPPLIERS AND CUSTOMERS

Our suppliers are primarily located in the PRC, Hong Kong, Taiwan, Canada and Italy. Our suppliers mainly include (i) suppliers of fabrics, lace, elastic bands and garment accessories; (ii) suppliers of sourced finished products; and (iii) subcontractors who perform cloth dyeing. Our purchases from our five largest suppliers for the years ended 31 March 2015, 2016 and 2017 accounted for approximately 55.6%, 47.1% and 42.7% of our total purchases, respectively. Our purchases from our largest supplier for the years ended 31 March 2015, 2016 and 2017 accounted for approximately 15.6%, 11.9% and 11.7% of our total purchases, respectively. All of our five largest suppliers during the Track Record Period were Independent Third Parties. None of our Directors, their respective close associates or any of our Shareholders (whom to the knowledge of our Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers during the Track Record Period.

Our customer base comprises mostly retail customers in Hong Kong, and a small number of retail customers in the PRC, who purchase our products directly in our retail stores. We also sold our products to SZ BodiBra, a company which ceased operations in December 2015 and was wholly-owned by Mr. Chan immediately before its deregistration in December 2016. We had no customer who contributed, and did not have any five customers who collectively contributed, 30% or more of our total revenue for the years ended 31 March 2015, 2016 and 2017. For the years ended 31 March 2015, 2016 and 2017, the total number of transactions made by our customers to purchase our products were approximately 38,000, 42,000 and 55,000, respectively, and we had approximately 15,000, 16,000 and 20,000 active members under our loyalty programme, respectively, who made at least one purchase at one of our retail stores within the respective 12-month period.

SUMMARY AND HIGHLIGHTS

Inventory

For the years ended 31 March 2015, 2016 and 2017, our inventory turnover days were approximately 628.1 days, 808.8 days and 617.0 days, respectively. Our Directors believe that our relatively long inventory turnover days was mainly due to (i) the relatively large inventory of finished goods we held as we generally stored a wide range of our products with different colours, sizes and styles in each retail store so as to cater for the needs of our customers; (ii) our continuous release of new products; and (iii) the fact that we seldom offer discounts or markdowns on slow-moving products. Our inventories amounted to approximately HK\$17.6 million, HK\$22.4 million and HK\$25.7 million, as at 31 March 2015, 2016 and 2017, respectively.

LOYALTY PROGRAMME

As at 31 March 2017, through our loyalty programme, we had accumulated approximately 52,000 paid memberships, among which approximately 20,000 were active memberships with members who had made at least one purchase at one of our retail stores during the year ended 31 March 2017. For the years ended 31 March 2015, 2016 and 2017, approximately HK\$40.1 million, HK\$47.4 million and HK\$63.6 million, representing approximately 85.6%, 88.6% and 86.0% of our revenue generated from the sales of products, respectively, were derived from customers who joined our loyalty programme and made purchases using credits in their credit packages or Member Vouchers. The actual amounts paid for our credit packages or Member Vouchers are initially recorded as deferred revenue under current liabilities in our consolidated financial statements at the time of payment. As at 31 March 2015, 2016 and 2017, our deferred revenue amounted to approximately HK\$47.0 million, HK\$59.3 million and HK\$77.5 million, respectively. For the years ended 31 March 2015, 2016 and 2017, income from unused credit packages amounted to approximately HK\$4.1 million, HK\$2.2 million and HK\$3.7 million, respectively, representing approximately 8.0%, 3.9% and 4.8% of our total revenue for the corresponding year.

Our customers in Hong Kong can apply for membership of our loyalty programme by purchasing our credit packages. As our members, they can enjoy different levels of discounts for their purchases, depending on the amounts of credit packages purchased by them. Such credit packages have a contractual validity period of two years and are extendable for an additional period of up to two years (subject to our internal approval).

Our customers in the PRC can apply for membership of our loyalty programme by making any purchase at our retail stores in the PRC. Such members can purchase our Member Vouchers with different discounts, depending on the quantity of Member Vouchers purchased. The validity period of each Member Voucher is three years from the date of purchase. After the expiry of the validity period, holders of the Member Vouchers could request us for refund or continue to use the expired Member Vouchers to purchase our products at their discretion.

SUMMARY AND HIGHLIGHTS

INDUSTRY AND MARKET

According to the Frost & Sullivan Report, the total retail sales value of functional lingerie in Hong Kong and the PRC grew at a CAGR of approximately 11.0% and 26.0%, respectively, from approximately HK\$169.9 million and RMB4.7 billion for the year ended 31 December 2011 to approximately HK\$286.7 million and RMB14.9 billion for the year ended 31 December 2016, respectively. Such growth is attributable to a number of factors, including but not limited to, (i) consistent increase in disposable income and consumer expenditure; and (ii) higher market demand for lingerie with more emphasis on body shaping. For details, see “Industry Overview — Functional lingerie market overview”.

According to the Frost & Sullivan Report, (i) there were approximately 40 market players in the functional lingerie market in Hong Kong as at 31 December 2016 and the top five leading market players had a market share of approximately 91.7% in terms of retail turnover for the year ended 31 December 2016, which is highly concentrated; (ii) there were over 1,500 market players in the functional lingerie market in the PRC as at 31 December 2016 and the top five leading market players had a market share of approximately 24.0% in terms of retail turnover for the year ended 31 December 2016, which is relatively concentrated. For details, see “Industry Overview — Competitive landscape”.

COMPETITIVE STRENGTHS

Our Directors believe that we compete on our competitive strengths including the following:

- Leading market position and in-depth experience
- Strategic product positioning and competitive pricing
- Retail network in prime shopping areas
- Experienced management team with a proven track record

BUSINESS STRATEGIES

We intend to pursue the following key business strategies:

- Continue to strengthen our leading market position in Hong Kong, and expand our retail network in Hong Kong, the PRC and to Macau
- Further strengthen our brand awareness and reputation
- Increase our production capacity and product development capabilities
- Strengthen our operational efficiency

SUMMARY AND HIGHLIGHTS

RISK FACTORS

There are certain risks involved in our operations and in connection with the Public Offer, many of which are beyond our control. These risk factors are further described in “Risk Factors”. Set forth below are some major risks that may materially and adversely affect us:

- We recorded long inventory turnover days during the Track Record Period.
- We are dependent on our brands and reputation. Any negative publicity may have an adverse impact on consumer sentiment.
- Our Group recorded net current liabilities as at 31 March 2017. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs as anticipated, we may be forced to delay or abandon our expansion plans, and our business, financial conditions and results of operations may be adversely affected.
- Unauthorised use of our brand names by third parties, and our failure to adequately protect our intellectual property may adversely affect our business and reputation.
- We are exposed to disruptions of our operations, which could adversely affect our business.
- Macro-economic factors of Hong Kong have had and may have a material adverse effect on our business, financial conditions and results of operations.
- Deferred revenue from the sales of credit packages and Member Vouchers represented our major source of funding during the Track Record Period. If our sales of credit packages and Member Vouchers become unsatisfactory, our financial results and our liquidity position might be significantly affected.
- We are subject to financial and reputational risks due to customers’ dissatisfaction of our products.
- As we only lease properties for our business operations, we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high rental costs and competition for quality locations.

SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Public Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), each of our ultimate Controlling Shareholders, Mr. Chan and Mr. Yiu, acting in concert as a group of Controlling Shareholders and through their holding company (namely Global Succeed), indirectly held in aggregate 75% interest in our Company.

Our Directors do not expect any significant transactions to be entered into between our Group and our Controlling Shareholders and/or their respective close associates upon or shortly after the Listing. For details, see “Relationship with Controlling Shareholders”.

SUMMARY AND HIGHLIGHTS

KEY OPERATIONAL AND FINANCIAL DATA

For the years ended 31 March 2015, 2016 and 2017, our same-store sales growth rate were approximately 22%, 16% and 54%, respectively. Same-store sales growth rate represents the growth rate of sales of the same-store from each of our retail stores in a particular year against the sales from the same retail store (which remains in operation at the same location) in the previous year. The number of retail stores used in calculating the same-store sales growth rate for the years ended 31 March 2015, 2016 and 2017 was five, eight and six, respectively.

The following tables set forth our key operational and financial data during the Track Record Period:

	For the year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Results of operations</i>			
Revenue	50,913	55,621	77,710
Cost of sales	(9,191)	(9,055)	(14,245)
Gross profit	41,722	46,566	63,465
Profit before taxation (<i>Note 10</i>)	9,952	11,052	3,592
Profit for the year (<i>Note 10</i>)	8,343	8,633	1,057
<i>Cost of sales</i>			
Staff costs	4,043	5,003	7,777
Costs of materials	3,760	2,079	4,294
Rental and related expenses	877	1,155	1,220
Freight and transportation costs	187	218	323
Utilities	211	350	366
Depreciation	113	250	265
As at 31 March			
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Financial position</i>			
Non-current assets	6,883	6,918	7,053
Current assets	56,159	79,742	86,536
Non-current liabilities	710	732	457
Current liabilities	53,270	68,233	90,601
Net current assets/(liabilities) (<i>Note 12</i>)	2,889	11,509	(4,065)
Net assets	9,062	17,695	2,531

SUMMARY AND HIGHLIGHTS

	For the year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
<i>Cash flows</i>			
Operating cash flows before movements in working capital (<i>Note 11</i>)	11,605	12,775	5,507
Net cash flows from operating activities	15,536	13,983	21,438
Net cash flows (used in)/from investing activities	(14,801)	(12,778)	22,256
Net cash flows (used in)/from financing activities	(2,534)	781	1,199
Net (decrease)/increase in cash and cash equivalents	(1,799)	1,986	44,893
Cash and cash equivalents at beginning of the year	3,164	1,365	3,357
Effect of foreign exchange rate changes	—	6	18
Cash and cash equivalents at end of the year	1,365	3,357	48,268

	For the year ended 31 March		
	2015	2016	2017
	<i>Key financial ratios</i>		
Net profit margin before interest and tax (%) (<i>Notes 1 and 10</i>)	18.7	19.9	4.8
Net profit margin (%) (<i>Notes 2 and 10</i>)	14.7	15.2	1.4
Return on equity (%) (<i>Notes 3 and 10</i>)	85.6	47.7	41.8
Return on total assets (%) (<i>Notes 4 and 10</i>)	11.9	9.7	1.1
Interest coverage (times) (<i>Notes 5 and 10</i>)	22.3	55.3	35.5

	As at 31 March		
	2015	2016	2017
	Current ratio (<i>Note 6</i>)	1.1	1.2
Quick ratio (<i>Note 7</i>)	0.7	0.8	0.7
Gearing ratio (%) (<i>Note 8</i>)	30.2	26.4	96.7
Debt-to-equity ratio (%) (<i>Note 9</i>)	14.5	7.5	N/A

SUMMARY AND HIGHLIGHTS

Notes:

1. Net profit margin before interest and tax is calculated based on the net profit attributable to owners of our Company by adding back the interest and tax expenses for the financial year divided by total revenue for the financial year multiplied by 100%.
2. Net profit margin is calculated based on the net profit attributable to owners of our Company for the financial year divided by total revenue for the financial year and multiplied by 100%.
3. Return on equity is calculated based on the net profit attributable to owners of our Company for the financial year divided by total equity attributable to owners of our Company at the end of the financial year and multiplied by 100%.
4. Return on total assets is calculated based on the net profit attributable to owners of our Company for the financial year divided by total assets at the end of the financial year and multiplied by 100%.
5. Interest coverage is calculated based on the profit before interest and tax attributable to owners of our Company for the financial year divided by interest expenses for the financial year.
6. Current ratio is calculated based on the total current assets at the end of the financial year divided by the total current liabilities at the end of the financial year.
7. Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the financial year divided by the total current liabilities at the end of the financial year.
8. Gearing ratio is calculated based on total debt at the end of the financial year divided by total equity attributable to owners of our Company at the end of the financial year and multiplied by 100%.
9. Debt-to-equity ratio is calculated based on net debt at the end of the financial year divided by total equity attributable to owners of our Company at the end of the financial year and multiplied by 100%. Net debt is defined to include all borrowings net of bank balances and cash.
10. The decrease in profit for the year ended 31 March 2017 was mainly attributable to the Listing expenses of approximately HK\$11.4 million incurred.
11. The decrease in operating cash flow for the year ended 31 March 2017 was mainly attributable to the Listing expenses of approximately HK\$11.4 million incurred.
12. The net current liabilities as at 31 March 2017 was mainly attributable to the declaration and distribution of an interim dividend of HK\$15.0 million by way of setting-off with the amount due from Directors and related parties.

SUMMARY AND HIGHLIGHTS

The following table sets forth a summary of our designed production capacity in terms of the number of products and utilisation rates for our production facilities during the Track Record Period.

Product	Year ended 31 March								
	2015			2016			2017		
	Designed production capacity	Actual production volume	Approximate utilisation rate	Designed production capacity	Actual production volume	Approximate utilisation rate	Designed production capacity	Actual production volume	Approximate utilisation rate
	(units)	(units)	(%)	(units)	(units)	(%)	(units)	(units)	(%)
<i>Shenzhen Factory</i>									
Bras	52,500	39,532	75.3	75,600	75,163	99.4	88,704	106,553	120.1
Body shaping underwear	9,000	8,576	95.3	8,100	7,668	94.7	8,640	8,639	100.0
Chest support vests and panties	37,500	31,704	84.5	37,500	29,888	79.7	32,000	37,872	118.4
Subtotal	99,000	79,812	80.6	121,200	112,719	93.0	129,344	153,064	118.3
<i>Hong Kong Factory</i>									
Bras	9,800	7,066	72.1	12,600	11,337	90.0	12,600	12,599	100.0
Total	108,800	86,878	79.9	133,800	124,056	92.7	141,944	165,663	116.7

Note: The production volumes of our Group's products are higher than the sales volumes during the Track Record Period mainly due to: (i) the relatively large inventory of finished goods we held due to the nature of our business as we generally stored a wide range of our products with different colours, sizes and styles in each retail store so as to cater for the needs of our customers; (ii) our continuous release of 14, 12 and eight new products during the Track Record Period; and (iii) the table setting out the sales volume of chest support vests does not include the panties, which was included in the table of production capacity.

Despite that our production volumes are higher than our sales volumes which would in turn result in the incurrence of inventory holding costs, our Directors believe that maintaining sufficient inventory of finished products at our retail stores to satisfy our customers' needs and launching new products to meet the market demand is crucial to us in strengthening our competitiveness to keep existing customers and also attract new customers.

SUMMARY AND HIGHLIGHTS

Our retail stores

For the years ended 31 March 2015, 2016 and 2017, the rental expenses for our retail stores amounted to approximately HK\$10.5 million, HK\$11.9 million and HK\$13.6 million, respectively, accounting for approximately 20.6%, 21.5% and 17.5% of our revenue of approximately HK\$50.9 million, HK\$55.6 million and HK\$77.7 million, respectively. As at the Latest Practicable Date, we had entered into a total of 11 lease agreements with Independent Third Parties for our retail stores in Hong Kong and the PRC. The following table sets out the number of our lease agreements for retail stores as at the Latest Practicable Date with expiry dates falling within the periods indicated below:

<u>Expiry Date</u>	<u>Number of lease agreements</u>
From the Latest Practicable Date to 31 March 2018 (both dates inclusive)	3
From 1 April 2018 to 31 March 2019 (both dates inclusive)	2
From 1 April 2019 to 31 March 2020 (both dates inclusive)	5
From 1 April 2020 to 31 March 2021 (both dates inclusive)	<u>1</u>
Total	<u><u>11</u></u>

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

Our business operations have remained stable after the Track Record Period. In June 2017, we entered into a tenancy agreement with the relevant landlord to renew the lease of Store 5 (as defined in “Business — Our retail network — Our retail stores”) for another term of two years, commencing from 22 June 2017 and ending on 21 June 2019. We also entered into a tenancy agreement with the relevant landlord in June 2017 to renew the lease of Store 8 (as defined in “Business — Our retail network — Our retail stores”) for another term of two years, commencing from 19 June 2017 and ending on 18 June 2019.

DIVIDEND

During the year ended 31 March 2017, we declared an interim dividend of HK\$15.0 million. Such dividend has been distributed by way of setting-off with the amounts due from Directors and related parties. The declaration of future dividends will be subject to the discretion of our Directors and will depend on, among other things, our earnings, cash flow, financial conditions, capital requirements, statutory reserve requirements and any other factors our Directors may consider relevant. Currently, we do not have any predetermined dividend distribution ratio. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. See “Financial Information — Dividend”.

SUMMARY AND HIGHLIGHTS

KEY OFFERING STATISTICS

	Based on the Offer Price of	
	<u>HK\$0.4 per Offer Share</u>	<u>HK\$0.6 per Offer Share</u>
Market capitalisation (<i>Note 1</i>)	HK\$192,000,000	HK\$288,000,000
Unaudited pro forma adjusted consolidated net tangible assets value per Share (<i>Notes 2 and 3</i>)	HK\$0.070	HK\$0.119

Notes:

1. The calculation of market capitalisation of the Shares is based on the indicative Offer Price range from HK\$0.4 to HK\$0.6 per Offer Share and a total of 480,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Public Offer but without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.
2. The unaudited pro forma adjusted consolidated net tangible asset value per Share has been arrived at after having made the adjustments referred to in “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of a total of 480,000,000 Shares in issue assuming that the Public Offer has been completed on 31 March 2017 but without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of the Shares referred to in Appendix IV to this prospectus.
3. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets as at 31 March 2017 to reflect any trading results or other transactions of our Group entered into subsequent to 31 March 2017.

LISTING EXPENSES

Our financial results will be materially and adversely affected by the non-recurring Listing expenses. Our Directors currently estimate that our total Listing expenses will amount to approximately HK\$30.4 million (based on the mid-point of the indicative Offer Price range of HK\$0.5 per Offer Share and 120,000,000 Offer Shares). Among the estimated total Listing expenses, (i) approximately HK\$9.0 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$21.4 million is expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income, of which approximately HK\$1.9 million and HK\$11.4 million have been recognised for the year ended 31 March 2016 and 2017, respectively and the remaining of approximately HK\$8.1 million is expected to be further recognised for the year ending 31 March 2018. The estimated future Listing expenses to be charged to our consolidated statements of profit or loss and other comprehensive income are current estimate for reference only and are subject to adjustments based on changes in variables and assumptions. As such, our financial results for the year ending 31 March 2018 are expected to be significantly affected by the non-recurring Listing expenses.

SUMMARY AND HIGHLIGHTS

USE OF PROCEEDS

We intend to apply the net proceeds from the Public Offer of approximately HK\$29.6 million (assuming the Offer Price of HK\$0.5 per Offer Share, being the mid-point of the indicative Offer Price range) as follows:

	<u>Approximate amount or % of net proceeds</u>
Expand our retail network	HK\$23.8 million or 80.4%
Further strengthen our brand awareness and reputation	HK\$0.9 million or 3.0%
Increase our production capacity and product development capabilities	HK\$2.1 million or 7.1%
Strengthen our operational efficiency	HK\$2.4 million or 8.1%
Working capital and other general corporate purposes	HK\$0.4 million or 1.4%

For further details, please see “Future Plans and Use of Proceeds”.

NO MATERIAL ADVERSE CHANGE

Save for (i) the expected material adverse impact on our Group’s financial performance for the year ending 31 March 2018 which is anticipated to be caused by the non-recurring Listing expenses; and (ii) the expected material adverse impact on our Group’s financial performance and liquidity during the period from the Latest Practicable Date to 31 March 2018 primarily due to the relatively high capital expenditure required for our expansion plan as detailed in “Future Plans and Use of Proceeds”, as well as the increase in Director’s fees, staff costs and legal and professional fees subsequent to the Listing, our Directors confirm that, since 31 March 2017 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects and there had been no event which would materially affect the information in our consolidated financial statement included in the Accountants’ Report set forth in Appendix I to this prospectus.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.

“Accountants’ Report”	the accountants’ report of our Group for the Track Record Period, the text of which is set out in Appendix I to this prospectus
“Acting in Concert Confirmation”	the confirmation dated 5 July 2016 executed by our Controlling Shareholders (other than Global Succeed), whereby they confirmed their acting in concert arrangements. For details, see “Relationship with Controlling Shareholders”
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and PINK Application Form(s) or where the context so requires, any of them that are used in connection with the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 16 January 2017, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time
“Board” or “Board of Directors”	the board of Directors
“business day(s)”	any day(s) (other than a Saturday, a Sunday or public holiday in Hong Kong) on which licenced banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Canadian dollar(s)”	Canadian dollar(s), the lawful currency of Canada
“Capitalisation Issue”	the allotment and issue of 359,990,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in “Further information about our Company and its subsidiaries — 3. Resolutions in writing of the sole Shareholder passed on 16 January 2017 and 19 June 2017” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDAHK”	Chiropractic Doctors’ Association of Hong Kong
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus excludes Hong Kong, Macau and Taiwan
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	My Heart Bodibra Group Limited (心心芭迪貝伊集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 27 May 2016
“Controlling Shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules and, unless the context otherwise requires, refers to Mr. Chan, Mr. Yiu and Global Succeed
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules

DEFINITIONS

“Deed of Indemnity”	a deed of indemnity dated 19 June 2017 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for other members of our Group), particulars of which are set out in “Other information — 13. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 19 June 2017 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for other members of our Group) relating to non-competition undertaking, particulars of which are set out in “Relationship with Controlling Shareholders — Deed of Non-competition”
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax of the PRC
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) as adopted by the National People’s Congress on 16 March 2007 and became effective on 1 January 2008 and amended on 24 February 2017 and became effective on the same date
“EIT Rules”	the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) as adopted by the State Council on 6 December 2007 and became effective on 1 January 2008
“electronic application instruction(s)”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Offer Shares
“Eligible Employee(s)”	all full-time employees (as defined under the Employment Ordinance) of our Group who have joined our Group on or before the Latest Practicable Date and have a Hong Kong address (other than the chief executive or directors of our Company or its subsidiaries, existing beneficial owners of the Shares or any of their respective associates and any other connected persons of our Company)
“Employee Preferential Offering”	the offer of up to 1,200,000 Offer Shares to Eligible Employees as described in “Structure and Conditions of the Public Offer — Employee Preferential Offering”
“Employee Reserved Shares”	the 1,200,000 Offer Shares (representing 1% of the Offer Shares initially available under the Public Offer) available in the Employee Preferential Offering and which are to be allocated out of the Offer Shares

DEFINITIONS

“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“EPS”	an electronic payment system
“EU”	the European Union, a political-economic union constituted by 28 European countries
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company, an Independent Third Party
“Frost & Sullivan Report”	the industry expert report issued by Frost & Sullivan, details of which are set out in “Industry Overview”
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Global Succeed”	Global Succeed Group Limited, a business company incorporated in the BVI with liability limited by shares on 3 March 2015 which is owned as to 50% by Mr. Chan and as to 50% by Mr. Yiu, and one of our Controlling Shareholders
“Glory Unique”	Glory Unique Limited, a business company incorporated in the BVI with liability limited by shares on 31 March 2016 which is wholly-owned by our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at the relevant time, or the businesses acquired or operated by them or (as the case may be) their predecessors
“HKAS”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards issued by HKICPA

DEFINITIONS

“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$”, “HKD” or “Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Brand Development Council”	a non-profit-making institution initiated by the Chinese Manufacturers Association of Hong Kong aiming to promote Hong Kong brands
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Hong Kong Factory”	our factory located at Unit E on the Third Floor of Selwyn Factory Building, 404 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong
“Hong Kong Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong, who is an Independent Third Party
“Hua Xin Si”	Huaxinsi Zhiyi (Shenzhen) Co., Ltd.* (華心思製衣(深圳)有限公司), a wholly foreign-owned enterprise established in the PRC on 20 November 2009, which is an indirect wholly-owned subsidiary of our Company
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent from and not connected with (within the meaning of the GEM Listing Rules) any director, chief executive, substantial shareholder of our Company, its subsidiaries or any of their respective associates
“Joint Lead Managers”	Lego Securities Limited and China Galaxy International Securities (Hong Kong) Co., Limited, being the joint lead managers of the Public Offer
“Latest Practicable Date”	17 June 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Listing”	the listing of the Shares on GEM

DEFINITIONS

“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is expected to be on Thursday, 13 July 2017
“Listing Division”	the listing division of the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 16 January 2017, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“MOFCOM”	the PRC Ministry of Commerce (中華人民共和國商務部)
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. Chan”	Mr. Chan Lin So Alan (陳麟書), the chairman of our Board, an executive Director and a Controlling Shareholder
“Mr. Yiu”	Mr. Yiu Koon Pong (姚冠邦), our chief executive officer, an executive Director and a Controlling Shareholder
“Ms. Wong”	Ms. Wong Bing Wah (黃冰華), one of the founders of our Group and an Independent Third Party
“My Heart Factory”	My Heart Factory Limited (心心內衣廠有限公司), a company incorporated in Hong Kong with limited liability on 26 August 2005, which is an indirect wholly-owned subsidiary of our Company
“My Heart Lingerie”	My Heart Lingerie Limited (心心女仕用品專門店有限公司), a company incorporated in Hong Kong with limited liability on 20 August 2003, which is an indirect wholly-owned subsidiary of our Company
“New Taiwan dollar(s)”	New Taiwan dollar(s), the lawful currency of Taiwan

DEFINITIONS

“Offer Price”	the final price per Offer Share (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee payable thereon) which will not be more than HK\$0.6 per Offer Share and is currently expected to be not less than HK\$0.4 per Offer Share, at which the Offer Shares are to be subscribed for pursuant to the Public Offer, as further described in “Structure and Conditions of the Public Offer — Determination of the Offer Price”
“Offer Share(s)”	the 120,000,000 new Shares (including the Employee Reserved Shares) being offered for subscription by our Company at the Offer Price under the Public Offer
“ PINK Application Form(s)”	the application form(s) for use by the Eligible Employees to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offering
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as adopted by the SCNPC on 27 October 2005 and amended on 28 December 2013 and became effective on 1 March 2014
“PRC government”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and instruments thereof, or where the context requires, any of them
“PRC Legal Advisers”	Beijing Guantao Law Firm, the legal advisers of our Company as to PRC law
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date, expected to be on or about Wednesday, 5 July 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree, on which the Offer Price will be fixed for the purposes of the Public Offer

DEFINITIONS

“Public Offer”	the offer of the Offer Shares for subscription by the public in Hong Kong and the Eligible Employees (in respect of the Employee Reserved Shares) at the Offer Price (payable in full upon application plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to the terms and conditions as described in this prospectus and the Application Forms), as further described in “Structure and Conditions of the Public Offer — The Public Offer” and “Structure and Conditions of the Public Offer — Employee Preferential Offering”
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation arrangements undergone by our Group in preparation for the Listing, details of which are set out in “History, Development and Reorganisation — Reorganisation”
“Reporting Accountants”	Deloitte Touche Tohmatsu, our reporting accountants
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal value HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 19 June 2017, the principal terms of which are summarised in “Other information — 12. Share Option Scheme” in Appendix IV to this prospectus
“Shenzhen Factory”	our factory located at 4/F, Building 5, No. 51 Ge Zhen Dong Road, Ping Hu Street Community, Ping Hu Street, Long Gang District, Shenzhen, the PRC

DEFINITIONS

“Shenzhen Warehouse”	our warehouse located at 3/F, Factory 4, No. 51 Ge Zhen Dong Road, Ping Hu Community, Ping Hu Street, Long Gang District, Shenzhen, the PRC
“Sole Bookrunner”	Lego Securities Limited, being the sole bookrunner of the Public Offer
“Sponsor”	Lego Corporate Finance Limited, a corporation licenced by the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the sponsor to the Listing
“sq.ft.”	square foot (feet)
“sq.m.” or “m ² ”	square metre(s)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“SZ BodiBra”	Shenzhen Bodibra Lady Fashion Store* (深圳市芭迪貝伊女仕服飾店), an individually-owned business established in the PRC on 9 September 2011 and deregistered on 9 December 2016 and wholly-owned by Mr. Chan immediately before its deregistration
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“TDO”	the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“TDO Legal Counsel”	Mr. Ng, Danny Pak Kin, barrister-at-law of Hong Kong, who is an Independent Third Party
“Track Record Period”	the period comprising the three financial years ended 31 March 2017
“Underwriters”	the underwriters of the Public Offer named in “Underwriting — Underwriters”

DEFINITIONS

“Underwriting Agreement”	the conditional underwriting agreement dated 23 June 2017 entered into by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Joint Lead Managers, the Sole Bookrunner and the Underwriters, brief particulars of which are summarised in “Underwriting”
“United States or U.S.”	the United States of America
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“US\$”, “USD” or “US dollars”	United States dollars, the lawful currency of the United States
“ WHITE Application Form(s)”	the application form(s) to be completed by the public who requires the Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“Winterchase”	Winterchase Investment Limited (諾思投資有限公司), a company incorporated in Hong Kong with limited liability on 18 November 2011, which is owned as to 50% by Mr. Chan and as to 50% by Mr. Yiu
“Wish Enterprise”	Wish Enterprise Limited, a business company incorporated in the BVI with liability limited by shares on 31 March 2016, which is wholly-owned by our Company
“Xin Xin”	Xin Xin Badibei Yi Lingerie (Shenzhen) Co., Ltd.* (心心芭迪貝伊內衣(深圳)有限公司), a limited liability company established in the PRC on 7 April 2015, which is an indirect wholly-owned subsidiary of our Company
“ YELLOW Application Form(s)”	the application form(s) to be completed by the public who require the Offer Shares to be deposited directly into CCASS
“%”	per cent.

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustment. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DEFINITIONS

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions and other terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry definitions.

“body shaping underwear”	includes bodysuit, ankle-length pants, mid-thigh pants and girdle, all of which are designed to support the chest, flatten the stomach and/or to shape the buttock and thigh
“chest support vests”	upper body products that are usually designed without cups and worn with bras together to shape and centralise the breast
“functional lingerie”	undergarment designed to shape wearer’s body shape, as referenced in the Frost & Sullivan Report
“high-end market”	the segment within each of the functional lingerie markets in Hong Kong and the PRC of products with retail price of above HK\$450 and above RMB300, respectively, as referenced in the Frost & Sullivan Report
“low-end market”	the segment within each of the functional lingerie markets in Hong Kong and the PRC of products with retail price of below HK\$250 and below RMB150, respectively, as referenced in the Frost & Sullivan Report
“loyalty programme”	our membership programme that generally offers discounts under the credit packages and Member Vouchers to our customers aiming to encourage recurring purchases
“mass market”	the segment within each of the functional lingerie markets in Hong Kong and the PRC of products with retail price ranging from HK\$250 to HK\$450 and from RMB150 to RMB300, respectively, as referenced in the Frost & Sullivan Report
“Member Voucher(s)”	vouchers of RMB100 each offered by us in the PRC
“POS”	acronym for point-of-sale
“Prepaid Amount”	the actual amount paid by a customer at the time of purchase of our credit package in Hong Kong
“sourced finished products”	the finished products manufactured by independent suppliers
“staff turnover rate”	staff turnover rate which was calculated as the number of resigned employees in the period divided by the sum of the number of existing employees as at the beginning of the period and the number of new employees who joined in that period

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “shall”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including but not limited to the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospect;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic trends and conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Investors should carefully consider all of the information in this prospectus, including the following risks and uncertainties associated with an investment in our Company, before making any investment decision in relation to the Offer Shares. If any of the possible events described below occur, our business operations, financial conditions or results of operations could be materially and adversely affected and the market price of the Shares could fall significantly.

RISKS RELATING TO OUR BUSINESS

We recorded long inventory turnover days during the Track Record Period.

Our inventories include raw materials, work-in-progress and finished goods. For the years ended 31 March 2015, 2016 and 2017, our inventory turnover days were approximately 628.1 days, 808.8 days and 617.0 days, respectively. Our Directors believe that our relatively long inventory turnover days was mainly due to (i) the relatively large inventory of finished goods we held as we generally stored a wide range of our products with different colours, sizes and styles in each retail store so as to cater for the needs of our customers; (ii) our continuous release of new products; and (iii) the fact that we seldom offer discounts or markdowns on slow-moving products. The inventory holding costs incurred for the year ended 31 March 2015, 2016 and 2017 amounted to approximately HK\$516,000, HK\$647,000 and HK\$804,000, respectively.

We are thus subject to risks associated with long turnover days, including, among others, the requirement for additional working capital which may be tied up with our inventory, the increase in our costs relating to holding inventory and the risk that we may have to write off our inventory. We are further exposed to increased inventory risks due to a wide range of factors beyond our control, including but not limited to, change of market trends, change of customer preference and behaviour, and uncertainty regarding the outcome of our new product launches. There is no guarantee that we can keep abreast of market trends or react promptly to changes in customer preference and behaviour. Further, we cannot assure you that our inventory measures will be implemented effectively so that we would not have significant levels of obsolete or excessive inventory. In the event that there is a sudden decrease in the market demand for our products or our new products do not successfully meet customer preference and behaviour in the future, we may experience slow movement of our inventories which would in turn lead to increase in our inventory level and thus increase in our inventory holding costs. We may even be forced to rely on markdowns or promotional activities to sell our unsold items, which may in turn materially and adversely affect our working capital, liquidity, cash flow and results of operations.

Our inventory level may also be affected by the implementation of our business expansion plans, which include the opening of new retail stores and expansion of our production capacity. For details of our business expansion plans, please see “Future Plans and Use of Proceeds — Implementation Plan”. There is no guarantee that we can effectively and successfully implement our business expansion plans in accordance with our schedule. Any failure to execute our business expansion plans in a timely manner or at all may also affect our inventory level and increase our inventory holding costs, which may in turn materially and adversely affect our working capital, liquidity, cash flow and results of operations.

RISK FACTORS

We are dependent on our brands and reputation. Any negative publicity may have an adverse impact on consumer sentiment.

We believe our brand image is a key factor affecting our customers' purchase decisions and our brand image has contributed significantly to the success of our business. Therefore, the maintenance and enhancement of the recognition and image of our brands is critical to our ability to differentiate our products and services and compete effectively. Our brand image, however, could be jeopardised if we fail to maintain high product quality, keep up with evolving fashion trends or timely offer popular items. In addition, any negative publicity or disputes regarding our products, services, or our Group or management could also materially harm our brand image.

We offer a wide range of lingerie with shaping functions and certain complementary and ancillary products under our core brand “BOD³bra” and four sub-brands, namely “JUNE”, “Oobiki”, “BOD³care” and “INV³SI”, targeting customers of different age groups with varying needs and consumption propensity. Each of the core brand and sub-brands has its own unique design, features and characteristics to fit the target consumers' tastes and needs. Our brand image may be negatively affected if our products offered under any brands are unable to meet customer expectations with respect to quality or style. Failure to successfully promote and maintain the image of any of our core brand or sub-brands, damage to our reputation or loss of consumer confidence for any of the above or other reasons could have a material adverse effect on our results of operations and financial conditions as well as result in us requiring additional resources to rebuild our reputation.

Our Group recorded net current liabilities as at 31 March 2017. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs as anticipated, we may be forced to delay or abandon our expansion plans, and our business, financial conditions and results of operations may be adversely affected.

Our net current assets decreased from approximately HK\$11.5 million as at 31 March 2016 to net current liabilities of approximately HK\$4.1 million as at 31 March 2017. Please see “Financial Information — Net current assets (liabilities)” for further details.

Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debts when they become due will primarily depend on future operating and financial performance, including our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate financing. Although we anticipate that we shall have sufficient working capital to meet our present requirements for the next 12 months, our future performance will be impacted by prevailing economic conditions and a range of other business and competitive factors which are beyond our control. Our Group may continue to record net current liabilities in the future, and if we do not generate sufficient cash flow from our operations to meet our present and future financial needs as anticipated, we may need to rely on additional borrowings for funding. If sufficient funds are not available, we may be forced to delay or abandon our expansion plans, and our business, financial conditions and results of operations may be adversely affected.

RISK FACTORS

Unauthorised use of our brand names by third parties, and our failure to adequately protect our intellectual property may adversely affect our business and reputation.

Our brand names are critical to our success. For details of our intellectual property rights, see “Further information about the business of our Group — 8. Intellectual property rights of our Group” in Appendix IV to this prospectus. Our intellectual property, including our brand names, may be misused by third parties. We cannot assure you that we could successfully protect our registered trademarks or our trademark registration applications would be successful. Any infringement upon our intellectual property rights or misappropriation of our proprietary knowledge by third parties would negatively affect our image, brand name recognition and the effect of our marketing efforts and in turn result in a material adverse effect on our business, financial conditions or operating results. Any inappropriate or unauthorised use of our brand names by third parties may adversely affect the perceived quality and reliability of our products. We rely on trademark law, our internal intellectual property protection policy and agreements with our employees and suppliers to protect the value of our brand names. Despite the precautions we have taken, we cannot assure you that those procedures will provide effective prevention against any inappropriate or unauthorised use of our brand names by third parties.

In addition, we currently own the exclusive right to use four domain names containing or relating to our company name and brands. We may be unable to prevent third parties from acquiring and maintaining domain names that infringe or otherwise decrease the value of our brand names, trademarks and other proprietary rights. Failure to protect our domain names could adversely affect our reputation and brand, and make it more difficult for users to find our websites. Enforceability, scope and validity of protection of trademarks in the PRC are uncertain and still evolving, and we may not be successful in prosecuting any inappropriate or unauthorised use by third parties. If we were to initiate litigations to protect and enforce our trademark and other intellectual property rights, and to protect our trade secrets, we could incur substantial costs and suffer from diversion of resources, which could negatively affect our sales, profitability and prospects. Moreover, even if any such litigation is resolved in our favour, there is no assurance that we could successfully enforce the judgement and remedies awarded by the court and it is possible that such remedies are inadequate to compensate our loss.

We are exposed to disruptions of our operations, which could adversely affect our business.

A vast majority of our products are produced in-house at our Shenzhen Factory and Hong Kong Factory. Our production is heavily dependent on the use of such facilities, which are subject to operation risks. These risks include the breakdown or failure of our major equipment, power supply or maintenance, natural disasters, industrial accidents, fire and the need to comply with the directives of relevant government authorities such as statutory inspections and testing. These risks could result in temporary, permanent, partial or complete shut-downs of our operations, and as a result, our operations and financial results could be adversely affected. Further, our business also relies on prompt delivery and quality transportation of our finished products and supplies. Certain events, such as adverse weather conditions, massive riots, natural disasters, severe traffic accidents and delays, suspension of public transportation systems, non-cooperation of our suppliers or their logistics partners and labour strikes, could lead to delayed or lost deliveries, which could result in the loss of revenue.

RISK FACTORS

Macro-economic factors of Hong Kong have had and may have a material adverse effect on our business, financial conditions and results of operations.

During the Track Record Period, a majority of our revenue was derived from retail customers in Hong Kong. Our Directors expect Hong Kong to continue to be the dominant jurisdiction for our business in the foreseeable future. Our results of operations are heavily dependent on the Hong Kong economy and, in particular, the local mass market and high-end market of functional lingerie. Unforeseen circumstances such as economic downturn, natural disaster, significant changes in customer spending pattern and deterioration of the political environment (e.g. Occupy Central, a civil disobedience movement which began in Hong Kong around 28 September 2014), which are beyond our control, may affect our business.

According to the composite consumer price index, a key inflation indicator released by the Census and Statistics Department of Hong Kong on 23 May 2017, overall consumer prices rose by 2.0% in April 2017 over the same month a year earlier. Any significant increase in inflation, which is beyond our control, will increase our costs of business, reduce the disposable incomes of our customers and create uncertainty over future inflation.

Deferred revenue from the sales of credit packages and Member Vouchers represented our major source of funding during the Track Record Period. If our sales of credit packages and Member Vouchers become unsatisfactory, our financial results and our liquidity position might be significantly affected.

Our credit packages and Member Vouchers are recorded as deferred revenue in the balance sheet at the point of sales. Our credit packages have a validity period of two years and are extendable to not more than four years (subject to our internal approval) whereas the validity period of each Member Voucher is three years from the date of purchase. For the years ended 31 March 2015, 2016 and 2017, approximately HK\$40.1 million, HK\$47.4 million and HK\$63.6 million, representing approximately 85.6%, 88.6% and 86.0% of our revenue generated from the sales of products for the corresponding year, respectively, were derived from customers who joined our loyalty programme and made purchases using credits in their credit packages and Member Vouchers. For financial reporting purposes, the actual amounts paid for our credit packages or Member Vouchers are initially recorded as deferred revenue under current liabilities in our consolidated financial statements at the time of payment, and are subsequently recognised as revenue in our consolidated statements of profit or loss and other comprehensive income when a purchase is made, based on the effective selling prices of the relevant products. Further, for financial reporting purposes in respect of our credit packages, regardless of whether the validity period of the unused credit package is extended, on the fourth anniversary of the date of purchase of the original credit package, any unused credit package amount (i.e. the remaining deferred revenue) will be fully recognised as income from unused credit packages under revenue in our consolidated statements of profit or loss and other comprehensive income. Our recognition method results in a large amount of deferred revenue. As at 31 March 2015, 2016 and 2017, our deferred revenue amounted to approximately HK\$47.0 million, HK\$59.3 million and HK\$77.5 million, respectively. The funds generated from our sales of credit packages and Member Vouchers are used as our operational cash flows, despite the corresponding deferred revenue not being recognised yet.

RISK FACTORS

The deferred revenue represented our major source of funding to finance operational cash flows. We cannot assure you that customers will not change their purchasing behaviour by purchasing our products piece by piece rather than purchasing our credit packages and/or Member Vouchers. In the event it occurs, our deferred revenue will decrease and our financial results and our liquidity position might be significantly affected.

We are subject to financial and reputational risks due to customers' dissatisfaction of our products.

We principally offer lingerie that are designed with shaping functions which aim to achieve better body appearance. However, the degree of effectiveness of our products are subjective and depends on various factors, including our customers' different body shape, expectations, and fit to our products. We cannot guarantee that all products produced by us will completely satisfy our customers. If we fail to meet our customers' expectations, and our products fail to perform their claimed effects as they are advertised or marketed or cause bodily injury or allergy or if there is any allegation of such matters, our customers may lodge complaints with the Consumer Council in Hong Kong or other similar consumer protection bodies. In that case, we may be subject to scrutiny by the Consumer Council in Hong Kong or other similar consumer protection bodies as well as product liability or other legal claims and penalties. Such actions may have an adverse effect on our reputation, business, financial conditions and prospects.

As we only lease properties for our business operations, we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high rental costs and competition for quality locations.

For the years ended 31 March 2015, 2016 and 2017, our rental and related expenses accounted for approximately 25.9%, 27.0% and 22.2% of our revenue, respectively. As at the Latest Practicable Date, we entered into a total of 11 lease agreements with Independent Third Parties for our retail stores in Hong Kong and the PRC, four of which require us to pay a monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover of that retail store exceeds the monthly fixed rent. Moreover, the terms of seven of the lease agreements for our retail stores is equal to or less than two years and three lease agreements will expire in around one year (the “**Expiring Leases**”). Our Directors intend to liaise with the relevant landlords to renew all the Expiring Leases before their expiry. For details, see “Business — Our retail network”.

We cannot assure you that we will be able to find suitable locations on commercially acceptable terms, or when renewing the leases, our landlords will not increase our current rent or will offer us favourable terms. The landlords may increase the rent, impose more stringent payment terms or increase the percentage of turnover for the calculation of additional rent. If we find the terms of the proposed renewal leases unacceptable, we would consider relocating the retail stores to another site with lower rentals under a commercially acceptable leasing arrangement but in a possibly less attractive location, which could result in decrease in sales. If relocation occurs, we will incur relocation costs and could write off leasehold-improvements, which could in turn adversely affect our financial conditions. There is no objective way to precisely predict the rate of increase in the commercial real estate rental market, and our substantial operating lease obligations

RISK FACTORS

expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes.

In addition to our retail stores, as at the Latest Practicable Date, we entered into lease agreements with Independent Third Parties for a total of five properties where our factories, offices and warehouse were located in Hong Kong and the PRC. There is no assurance that we will successfully renew the lease agreements for the relevant leased premises on commercially acceptable terms, or at all. There is also no assurance that such lease agreements will not be terminated before their expiration. There is no assurance that we would be able to secure a prompt relocation to suitable premises, nor can we assure you that the relocation will not have any adverse impact on us which includes interruptions to production and incurrence of relocation costs. Furthermore, any unforeseeable difficulties arising during the relocation of any such leased property may adversely affect our business operations and financial position.

Our five largest suppliers accounted for around 50% on average of our total cost of purchases throughout the Track Record Period and we have not entered into any long-term agreement with them. If we are unable to continue to source materials from them, our business operation and results may be adversely affected.

Our purchases from our five largest suppliers for the years ended 31 March 2015, 2016 and 2017 amounted to approximately HK\$2.6 million, HK\$2.2 million and HK\$2.6 million, respectively, representing approximately 55.6%, 47.1% and 42.7% of our total cost of purchases for the corresponding year. Our purchases from our largest supplier for the years ended 31 March 2015, 2016 and 2017 amounted to approximately HK\$0.7 million, HK\$0.6 million and HK\$0.7 million, representing approximately 15.6%, 11.9% and 11.7% of our total cost of purchases, respectively. For details of our five largest suppliers during the Track Record Period, see “Business — Suppliers”.

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any long-term agreement with any of our suppliers. Our purchases are made on a purchase order basis. There is no guarantee that we will not suffer from any shortage of suppliers in the future. Should our largest supplier and/or any of other major suppliers reduce the volume of supply to us or cease to supply to us, we may need to find alternative suppliers on similar sale terms and conditions acceptable to us. If we fail to do so in a timely manner, our production may have to be interrupted, our production costs may increase and our business, financial conditions, results of operations and growth prospects may therefore be materially and adversely affected.

We are exposed to claims or prosecutions in relation to the TDO.

We would from time to time release and/or distribute marketing and advertising materials for the purpose of promoting our products. Such marketing materials will be subject to the regulations under the TDO. Our Group committed a one-off breach of the TDO regarding the use of two descriptions in an advertising material during the Track Record Period. As advised by our TDO Legal Counsel, the fine for each breach is unlikely to exceed HK\$150,000, which our Directors consider immaterial to the business operations and financial conditions of our Group. Our TDO Legal Counsel is of the view that the chance of prosecution is low and in the unlikely event of prosecution, the chance of imprisonment of our Directors is remote. However, a consumer

RISK FACTORS

complaint may be lodged against us with the relevant authority for, among others, applying a false trade description to any goods. In this regard, we are exposed to possible claims, lawsuits or other regulatory consequences arising from a breach of the TDO. Despite that we have adopted specific internal control measures to ensure compliance with the TDO, particulars of which are set out in “Business — Legal compliance and proceedings”, we cannot guarantee that such measures will be effective in completely eliminating all risks of consumer complaints and possible claims or prosecutions in relation to the TDO. In the event of such complaints, claims or prosecutions, we will need to divert management resources and incur extra costs to handle them, and our corporate image and reputation in the industry would be harmed if they were published by the press. Further, if we are convicted for any breach of the TDO, our business, financial conditions and results of operations may be adversely affected.

Any failure to maintain an effective quality control management system could have a material adverse effect on our reputation, operations and financial conditions.

All of our supplies are sourced from Independent Third Parties. We rely on our internal quality control system to ensure the levels of quality of the supplies we source. We cannot assure you that we would be able to discover all defects in quality or title of the goods with our internal quality control system, and thus it is possible that there could be claims from customers against us directly after making purchases from us resulting from product quality problems. In such event, our reputation could be damaged and we would need to divert management and financial resources to handle such claims regardless of the merit of the claims. If we fail to obtain recourse from our suppliers such as by claiming against them, our financial conditions could be adversely affected.

Our success depends on our ability to retain members of our senior management team and to recruit, train and retain qualified personnel.

Members of our senior management team comprise (i) Mr. Fok Wai Hung, our company secretary and financial controller, who is primarily responsible for the financial management and reporting, and the company secretarial matters of our Group; (ii) Ms. Tong Ching Yee, our research and development manager, who is primarily responsible for our product research and development as well as the sales, marketing and customer relations of our Group; (iii) Ms. Luk Mo Yan, our head of human resources, administration and operation, who is primarily responsible for the human resources and administrative management of our Group; and (iv) Mr. Lam Ka Yuen, our head of plant, who is primarily responsible for the plant operation and management of our Group, and who has substantial experience and expertise in our business and has made significant contributions to our growth and success.

Our future success also depends substantially on our ability to recruit, train and retain qualified personnel. Mr. Chan, chairman of our Board and an executive Director, is primarily responsible for the overall strategic planning, business development, corporate management and overall performance of our Group, while Mr. Yiu, our chief executive officer and an executive Director, is primarily responsible for formulating corporate and business strategies and making major operation decisions. The departure of any of these individuals could have an adverse effect on our business and prospects. Competition for talent in some areas of the production and retail industry in Hong Kong and the PRC is intense and qualified individuals can be difficult to recruit. Any unanticipated departure of experienced production staff or sales staff with significant

RISK FACTORS

knowledge of a particular core product could have an adverse impact on our business. Consequently, we may not be able to easily or quickly replace lost personnel and we may incur additional expenses to recruit, train and retain new hires. Significant increases in staff turnover rates or significant increases in labour costs, due to competition for talents or changes in labour and healthcare laws, could have a material adverse effect on our results of operations and financial conditions.

Further, if any of our executive officers or key employees joins a competitor or forms a competing company, we may lose consumers, suppliers, know-how and key professionals and staff members. As a result, our competitiveness, operations and our ability to grow could be adversely affected.

During the Track Record Period, our revenue recognised from unused credit packages contributed to our Group's revenue and our revenue recognised from unused credit packages may not remain at the current level or recur in the future, and a decrease in such revenue may affect our business, results of operations, financial conditions and prospects.

We sell to our customers credit packages that have a two-year contractual validity period and can be extended once up to the fourth anniversary of the original date of purchase of the credit packages. For the years ended 31 March 2015, 2016 and 2017, our revenue recognised from income generated from unused credit packages amounted to approximately HK\$4.1 million, HK\$2.2 million and HK\$3.7 million, respectively, representing approximately 8.0%, 3.9% and 4.8% of our total revenue for the corresponding year. Our revenue, including our revenue recognised upon the expiry of credit packages, may not remain at the current level or recur in the future. In the event that revenue recognised from income generated from unused credit packages decreases, our business, results of operations, financial conditions and prospects may be affected. In addition, should credit packages not be utilised within the two-year contractual validity period, subject to our internal approval, the validity period of such unused credit packages will only be extended if they purchase further credit packages of not less than HK\$2,000 in value (i.e. our lowest priced credit package) before the fourth anniversary of the original date of purchase of the credit packages, unless in special circumstances such as members' pregnancy or medical conditions. Such policy may lead to complaints and claims against us and may in turn, affect our image and reputation and hence our business.

The surroundings of the current locations of our retail stores could become unattractive.

We cannot assure you that the current locations of our retail stores would remain attractive or always commensurate with our site selection criteria as demographic patterns of the surrounding environment could decline or otherwise adversely change in the future. If there are adverse changes to the surroundings of the areas where our retail stores are currently located, such as the closure of transportation system or the development of heavy construction works affecting the pedestrian flow, sales from our retail stores could drop significantly. As at the Latest Practicable Date, a majority of our retail stores was located in premises in prime shopping areas in Hong Kong and the PRC. We are thus subject to the development and management of such premises, which are out of our control. If these premises are required to close or temporarily suspend operations due to natural or other causes, such as weather, riots, natural disaster, fire or other technical and mechanical problems, or if the management company or office of these premises

RISK FACTORS

introduces operational policies unfavourable to tenants such as stringent requirements in refurbishment and restrictions in store front design, we could experience drop in profitability of the relevant retail stores. We have no control over the mix and placement of tenants of the shopping malls where our retail stores are located. Any substantial increases in the number and proximity levels of competitors in these premises would intensify surrounding competition and could in turn affect our business performance. A significant decrease in the number of retail stores, restaurants and anchor tenants in these premises will reduce shopper flow and adversely impact our ability to attract customers. If we decide to relocate a retail store from a location that has become unattractive but fail to find an attractive location that is available on commercially acceptable terms, we could experience delay in implementation of our business strategies and our business performance could be adversely affected. Even if we can find an attractive location, we cannot assure you that the new retail store will generate revenue equal to or exceed those of our existing ones.

We may suffer losses if we are unable to accurately respond to customer preferences, anticipate product trend or implement our sales strategies.

Our business is particularly sensitive to preferences of customers of different age groups with varying needs and consumption propensity. Consequently, our success depends on our ability to accurately identify customer preferences and take into account such preferences during our product planning process. This requires a combination of various elements, including, timely collection of customer feedback, accurate analysis and prediction of market trends, strong design capability and flexible production. We cannot guarantee that we will be able to make products that reflect such preferences in an accurate and timely fashion. If we are unable to successfully anticipate, identify or timely react to changing customer preferences or if we misjudge the market for our products, our sales may be adversely affected, potentially resulting in significant increase in amounts of unsold inventory, lower sales and lower gross margins. In response, we may be forced to rely on marketing promotions or price markdowns. These risks could have a material adverse effect on our brand image as well as our business, financial conditions, results of operations and cash flows.

We cannot assure you that our future product design and development efforts will continue to be successful with wide market acceptance or new products will be launched within the anticipated time frame or budget. Even if such products can be successfully commercialised, there is no guarantee that they will be widely accepted by our customers and the anticipated sales target can be achieved at all or in a profitable manner. In addition, we cannot assure you that our existing or potential competitors will not launch or develop products which are similar or superior to our products. If we fail to introduce new products that meet market demands, we may end up possessing large amounts of obsolete inventory for which we may have to set lower selling prices and our profit margins could be adversely affected. In addition, we cannot assure you that we will have adequate funding and resources necessary for developing and marketing new products or that our marketing strategies for our new products will be successful.

RISK FACTORS

We may not be able to continue to successfully expand our brand portfolio and product offerings.

Over the years, we have gradually expanded our product offerings to include bras, body shaping underwear, chest support vests and other complementary and ancillary products such as panties, nude bras and swimwear. Going forward, to enhance our growth, we may establish and acquire new brands or sub-brands and new product categories to diversify our brand portfolio and explore synergy and cross-selling opportunities between the brands. However, any new sub-brands or new product categories that we may launch may not achieve anticipated sales targets. To support our product expansion plan, we may need to recruit more personnel with expertise in managing different brands and product categories, and to enhance our operational and financial systems, procedures and controls, including upgrading our information technology systems. In addition, we may need to devote significant financial and managerial resources to the research and development of new brands or sub-brands or products. We may also need to engage suitable suppliers to provide new materials. All of these endeavours involve risks, and require substantial planning, skilful execution, and significant expenditures. We may also not be able to successfully integrate new brands or sub-brands or new product categories into our existing brand or sub-brands and product portfolio. We cannot assure you that we will be able to anticipate and respond quickly to evolving consumer product requirements or that our new products will be launched on time, or at all, or gain market acceptance. In addition, we cannot guarantee that any new brands or sub-brands or product category that we may launch will be able to generate positive cash flows.

We may incur significant costs on marketing efforts, and some marketing campaigns may not be effective in attracting or retaining consumers.

We intend to continuously invest in our brand to increase our brand recognition and acceptance. We rely on different marketing efforts tailored to increase our sales. We market our brands across a wide variety of media, including engaging brand's spokesperson, advertising on different media platforms, and issuing vouchers at product fairs. For the years ended 31 March 2015, 2016 and 2017, our marketing and promotional expenses accounted for 8.1%, 6.8% and 7.4% of our revenue, respectively. We cannot guarantee that our marketing efforts will be effective and result in higher levels of sales. In addition, marketing approaches and tools in the functional lingerie markets in Hong Kong and the PRC are evolving, which require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our marketing approaches or to adopt new or more cost-effective marketing techniques could negatively affect our business, growth prospects and results of operations.

Our engagement with our brand's spokesperson expired on 31 December 2016 and we intend to engage another spokesperson for our core brand. Our Directors confirm that the expiration of our engagement with such spokesperson had no material adverse impact on our business operations. Nevertheless, we cannot give assurance that we can successfully find a suitable replacement. Further, even if we can identify any suitable spokesperson for our core brand, we cannot give assurance that any of our brand spokespersons' endorsements or advertisements will remain effective, and that any of these spokespersons will remain popular or any of their images will remain positive and compatible with the messages that our brands and products aim to convey.

RISK FACTORS

We could encounter difficulties in the implementation of our business expansion plans, which could result in limited growth and reduced profitability.

Our business expansion plans are formulated based on assumptions as to the occurrence of certain future events. As such, there is no assurance that our business expansion plans will materialise within the planned timeframe, or that our business objectives will be fully or partially accomplished. In the event that we fail to accomplish our business expansion plans at all or in a timely manner, it is possible that we will not be able to achieve our planned future business growth and our operating results could be adversely affected. We expect to incur significant costs in connection with the expansion of our business. If we are unable to generate sufficient revenue from our business or our financial needs are more substantial than expected, it is possible that we will raise funds from debt or equity financing means or make certain modifications to our current intended use of proceeds as described in “Future Plans and Use of Proceeds”, which could have an adverse effect on our operations and future profitability. If we fail to continue to improve our operations, financial and management systems to cope with our business expansion plans, it is possible that we will not be able to achieve our expansion objectives and our business operations could be seriously harmed.

Further, in expanding our business, we may enter markets in which we have limited or no experience. We plan to open more retail stores in the PRC as part of our retail network expansion plan. We commenced our retail business in the PRC by opening our first retail store in Shenzhen, the PRC in December 2015. We also plan to open retail stores in Macau, where we had no retail store as at the Latest Practicable Date. We may not be familiar with the local business and regulatory environment and may fail to attract a sufficient number of customers due to our limited presence in that region. In addition, competitive conditions and customer preferences in the new markets may be different from those in our existing market and may make it difficult or impossible for us to operate profitably in these new markets. If we are unable to manage these and other difficulties in our expansion, our results of operations and prospects may be adversely affected.

We could encounter difficulties in managing our expanded retail network.

Our ability to successfully manage the growth of our retail network is subject to a number of risks and uncertainties, including but not limited to shortage of qualified operating personnel or delays or difficulties in training them, renovation delays or cost overruns, delays or difficulties in securing enough production capacity from our production facilities and potential cannibalisation effects between existing and new locations of our retail stores.

There is no assurance that we could achieve retail network growth on a timely basis or will be able to maintain the number of retail stores we operated as at the Latest Practicable Date. If we encounter significant under-expansion, we would miss the opportunities to capture market growth. If we experience over-expansion without sufficient demand, we could accumulate inventories and face other operational inefficiencies, which could adversely affect our results of operations, financial conditions and profitability and we could be forced to close down certain retail stores. We may not be able to effectively integrate any new retail stores into our existing operations, which could adversely affect our financial performance and business.

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Our insurance coverage may be inadequate and potential losses borne by us could adversely affect our cash flow and liquidity.

For details of our insurance policies, see “Business — Insurance”. There is no assurance that our insurance coverage would be sufficient to cover all our potential losses or that we will be able to successfully claim any of our losses under our current insurance policies. The occurrence of any of these events could result in incurrence of substantial costs and the diversion of our resources. In the event that we incur a loss that is not covered by our insurance coverage, or our insurance policies fail to sufficiently compensate for our actual losses, we would have to pay for the loss or the difference (as the case may be) and our cash flow and liquidity could be adversely affected.

Our operations could be adversely affected by increases in staff cost and the shortage of skilled labour.

For the years ended 31 March 2015, 2016 and 2017, our staff costs accounted for approximately 27.1%, 25.7% and 30.9% of our revenue, respectively. Our lingerie are mostly produced by skilled labour. We consider the skills of our sales staff to be transferrable from one sales environment to another, and we compete with other retailers for skilled sales staff. We cannot assure you that our remuneration package for our sales staff will remain as competitive as the other retailers. In addition, in recent years, average labour costs in the PRC and Hong Kong have increased due to market environment and the government’s policies to impose more stringent requirements on employers such as minimum wage and maximum working hours. Further, there has been a growing shortage of labour, especially skilled labour, in the PRC and Hong Kong. Our total staff turnover rate was approximately 23.5%, 21.4% and 23.7% for the years ended 31 March 2015, 2016 and 2017, respectively. If we experience any shortage of labour or significant increase in labour cost to the extent that we are not able to offset such increase by reducing other costs or passing it on to our customers, our business, financial conditions and results of operations may be materially and adversely affected.

Information technology systems failure or breach of our network security could interrupt our operations and adversely affect our business.

We rely on our information technology systems to monitor the daily operations of our retail stores and to collect accurate sales and inventory data. Any damage or failure of our information technology systems that cause an interruption to our operations could have a material adverse effect on our business and results of operations. We also receive and maintain certain personal information about our customers when they join our loyalty programme. If our network security is compromised and such information is stolen or obtained by unauthorised persons or used inappropriately, we may become subject to litigation or other proceedings brought by cardholders and card-issuing financial institutions or members of our loyalty programme. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Customer perception of our Group could also be negatively affected by these events, which could further adversely affect our business and results of operations.

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We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties which could subject us to financial losses and harm our reputation.

As a manufacturer and retailer of lingerie with shaping functions, we receive and handle cash and credit card transactions in our daily operations. We cannot assure you that there will not be any instances of fraud, theft and other misconduct involving employees, customers and other third parties in future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

During the year ended 31 March 2017, we declared an interim dividend but we cannot assure you that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all.

During the year ended 31 March 2017, we declared an interim dividend of HK\$15.0 million. No assurance can be given that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all. Any future dividend declaration and distribution by us will be made at the discretion of our Directors and will depend upon our financial results, general business conditions, strategies and future expansion needs, our capital requirements, the payment by our subsidiaries of cash dividends to our Company, possible effects on liquidity and financial position of our Company and such other factors as the Board may consider relevant. As a result, there is no reference to the basis for forecasting the amount of dividend payable in future in this prospectus. The past distribution record should not be used as a reference of the amount of dividends payable in the future and historical dividend distributions are not indicative of our future dividend distribution policy.

RISKS RELATING TO OUR INDUSTRY

Changes in macro-economics and disposable income could materially affect our growth and profitability.

We operate in the retail industry which is susceptible to macro-economics and disposable income, which affect the level of customer spending on our products. Customer spending patterns are affected by, among other factors, general and local economic conditions, amount of disposable income, inflation, uncertainties about future economic prospects and shifts in discretionary spending toward other goods and services. Customer preferences and spending habits and economic conditions may differ or change from time to time in the markets in which we operate. We cannot guarantee that we will be able to maintain our historical growth rates of revenue and profit, or remain profitable, particularly if the retail environment is stagnant or retail sales decline in the event of a recession or low growth in the general economy.

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We may not be able to compete effectively in the highly competitive functional lingerie industry in Hong Kong and the PRC.

We operate in a highly competitive industry. We compete with a broad range of lingerie companies. According to the Frost & Sullivan Report, in 2016, there were approximately 40 market players and over 1,500 market players in the functional lingerie industry in Hong Kong and the PRC, respectively.

We face a variety of competitive challenges, which include our competitiveness as regards the popularity of our products, our marketing strategy, our product and design capability, and the efficiency of our production process.

Some of our competitors may possess stronger brand recognition, larger customer bases, or greater financial, marketing and/or other resources than us. Our competitors may, be acquired by, receive investment from or enter into strategic relationships with larger, more established and better capitalised companies or investors. Some of our competitors may be able to secure merchandise from suppliers on more favourable terms, devote greater resources to marketing and brand promotion, adopt more aggressive pricing or inventory availability policies, or devote substantially more resources to online portals, e-commerce and system development than us. In particular, we have not established our own e-commerce platform to facilitate customer purchases of our products via the internet, we may lose sales to competitors that provide more advanced and efficient on-line shopping platforms and door-to-door delivery services than us. There is a risk that other lingerie companies which focus on the low-end may decide to enter the mass market and the high-end market of functional lingerie in Hong Kong and the PRC and develop new products that are more popular with our customers. Increased competition could result in price reductions, increased marketing expenditures and loss of market share, any of which could have a material adverse effect on our results of operations and financial conditions. There can be no assurance that we will be able to address these challenges and compete successfully against current and future competitors, and those competitive pressures may have a material adverse effect on our business, growth prospects, financial conditions and results of operations.

The approach and strategies adopted for our sales channels are determined by our senior management mainly based on the product features and their experience in the lingerie market in Hong Kong and the PRC. If there is any significant deterioration of the lingerie market in Hong Kong and the PRC and our senior management fails to adjust the current approach and strategies or introduce new sales channel to cope with changing consumer behaviour, our business could be materially and significantly affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Uncertainties with respect to the PRC legal system could adversely affect us.

As at the Latest Practicable Date, we operated Hua Xin Si, Xin Xin, and two retail stores in the PRC and our operations in the PRC are governed by PRC laws and regulations. The PRC legal system is based on written statutes and the legal interpretation by the SCNPC. Prior court decisions could be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in introducing laws and regulations when dealing with economic matters

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such as foreign investment, corporate organisation and governance, commerce, taxation, trade and trademark protection. As these laws, regulations and legal requirements are not fully developed and are subject to change, interpretation and enforcement of such laws and regulations could be uncertain. These uncertainties could limit the reliability of legal protections available to us and could negatively affect our business, results of operations and financial conditions. In addition, any litigation in the PRC could be protracted and result in substantial costs and diversion of resources and management attention.

Changes to the PRC regulatory regime for the textile industry may have an adverse impact on our results of operations.

As the Latest Practicable Date, we operated Hua Xin Si, Xin Xin and two retail stores in the PRC and our operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, production, taxation, labour standards, occupational health and safety, waste treatment and environmental protection and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may increase our operating costs and thus adversely affect our results of operations.

There is no assurance that we will be able to comply with any new PRC laws, regulations, policies, standards and requirements applicable to the textile industry or any changes in existing laws, regulations, policies, standards and requirements economically or at all. Further, any such new PRC laws, regulations, policies, standards and requirements or any such change in existing laws, regulations, policies, standards and requirements may also constrain our future expansion plans and adversely affect our profitability.

The economic and political policies of the PRC government could adversely affect the overall economic growth of China, our business, financial conditions and results of operations.

We conduct production and retailing business in the PRC. As our business is highly sensitive to business and personal discretionary spending levels, it tends to decline during general economic downturns. Accordingly, our results of operations, financial conditions and prospects in the PRC are subject to a significant degree to economic developments in the PRC. Although the PRC economy has been transforming from a planned economy to a more market oriented economy, the PRC government can still exercise significant control over the PRC economic growth through allocation of resources, foreign exchange control, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented various measures to encourage economic development and the PRC economy has experienced significant growth. We cannot assure you that future actions and policies of the PRC government will continue to boost the economic growth. If the PRC economy encounters serious downturns, our business, results of operations and financial conditions could be adversely affected.

It could be difficult to effect service of process or to enforce foreign judgements in the PRC.

Since part of our assets are located in the PRC, investors could encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and officers. Moreover, it is understood that the enforcement of foreign judgements in the PRC is subject to uncertainties. A judgement of a court from a foreign jurisdiction could be reciprocally recognised

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or enforced if the jurisdiction has a treaty with the PRC or if the judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requisite requirements.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in the PRC of judgements of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision could be difficult or impossible.

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

Under the EIT Law and the EIT Rules, enterprises established under the laws of a foreign country or region whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and will generally be subject to a uniform 25% EIT on their worldwide income. Under the EIT Rules, “de facto management body” is defined as the management body that has the material and overall management control over the production, business, personnel, accounts and assets of an enterprise.

On 22 April 2009, the SAT issued 《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》(Notice on Issues Relating to Determination of PRC — Controlled Offshore Enterprises as PRC Resident Enterprises by Applying the “De Facto Management Body” Test*) (“**SAT Circular No. 82**”) stipulating certain specific criteria for determining whether the “de facto management body” of a PRC-controlled offshore enterprise is located in the PRC. These criteria include, among others: (i) the premises where the senior management and the senior management bodies responsible for the routine production and business management of the enterprise perform their functions are mainly located within China; (ii) the financial decisions (about borrowing, lending, financing, financial risk management, etc.) and the personnel decisions (about appointment, dismissal, payment, etc.) of the enterprise are made by the bodies or persons within China or are subject to the approval of the bodies or persons within China; (iii) the enterprise’s primary properties, account books, company seals, minutes and archives of the meetings of the board of directors and shareholders are located or preserved within China; and (iv) the enterprise’s directors or senior management with 1/2 or more of the voting rights usually lives in China. Where an overseas Chinese-funded enterprises concurrently satisfies the four conditions, it shall be determined as a resident enterprise whose de facto management body is within China.

However, it remains unclear how the tax authorities will treat an overseas company controlled by natural persons such as our Company. It cannot be assured that we will not be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25% enterprise income tax on our global incomes. In such a case, our profitability and cash flow may be materially and adversely affected as a result of our global income being taxed under EIT Law. In addition, if we are considered a PRC resident enterprise, any dividend received by our non-resident enterprise may be subject to a withholding tax at a rate of up to 10%, as further explained in “— Risks relating to conducting business in the PRC — Dividends payable by us to our foreign investors and gain on the sales of our Shares may become subject to withholding taxes under the PRC tax laws” in this section.

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Dividends payable by us to our foreign investors and gain on the sales of our Shares may become subject to withholding taxes under the PRC tax laws

Under the EIT Law and the relevant regulations, to the extent such dividends for earnings derived since 1 January 2008 are sourced within the PRC and if we are considered a “resident enterprise” for PRC tax law purposes, PRC income tax at the rate of 10% is applicable to dividends payable by us to our investors that are “non-resident enterprises” so long as such “non-resident enterprise” investor does not have an establishment or place of business in the PRC or, despite the existence of such establishment or place of business in the PRC, the relevant income is not effectively connected with such establishment or place of business in the PRC. A lower withholding tax rate may apply if such “non-resident enterprise” is incorporated in a jurisdiction that has entered into an income tax treaty or agreement with China which allows a lower withholding tax rate.

Similarly, any gain realised on the transfer of our Shares by such “non-resident enterprise” investors are also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC and we are considered a “resident enterprise” in the PRC. If we are required under the relevant tax law to withhold PRC income tax on our dividends payable to our foreign Shareholders who are “non-resident enterprises”, or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially and adversely affected.

There is no assurance that, if we are considered a PRC “resident enterprise”, holders of our Shares might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or regions.

Foreign exchange restrictions imposed by the PRC government could negatively affect the business operations of our Group.

The PRC government regulates the conversion between RMB and foreign currencies. Over the years, the PRC government has significantly reduced control over routine foreign exchange transactions under current accounts, including trade and service-related foreign exchange transactions and payment of dividends. However, strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE or its branches, and repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments are also subject to restrictions. As at the Latest Practicable Date, we operated Hua Xin Si, Xin Xin and two retail stores in the PRC. Any tightening of such restriction may adversely affect the performance of our operations.

The enforcement of labour contract laws and regulations, compliance with relevant laws and regulation in respect of social insurance and housing provident funds, and increase in labour costs in the PRC may adversely affect our business and our profitability.

The Labour Contract Law of the PRC 《中華人民共和國勞動合同法》 became effective on 1 January 2008 and was subsequently amended and became effective on 1 July 2013. The Implementation Regulations of the PRC Labour Contract Law became effective on 18 September 2008. The Regulations on Paid Annual Leave for Employees became effective on 1 January 2008. These PRC labour contract laws and related implementation regulations impose more stringent

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requirements on employers with regard to, among others, minimum wages, severance payment upon permitted termination of the employment by an employer and non-fixed term employment contracts, time limits for probation period, the duration and the times that an employee can be placed on a fixed term employment contract, specific requirements for labour dispatch as well as entitlement for paid vacation. Compliance with such laws and regulations may increase our operating expenses, in particular our personnel expenses, as the continued success of our business depends significantly on our ability to attract and retain qualified personnel. In the event that we decide to terminate some of our employees or otherwise change our employment or labour practices, the labour contract laws and its implementation regulations may also limit our ability to effect those changes in a manner that we believe to be cost-effective or desirable, which could adversely affect our business and results of operations.

Further, pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), we are required to make contributions to the social insurance plans and the housing provident fund under the relevant PRC laws for our employees. During the Track Record Period, we did not make social insurance contributions and housing provident fund contributions in full for our employees. We cannot assure you that we may not be requested to make up any unpaid social insurance fund and housing provident fund contributions, and may not be fined by the competent authority. There can be no assurance that there will not be any additional or new laws, rules or regulation in respect of social insurance and housing provident funds in the PRC. We may incur additional costs to comply with such laws and regulations by the PRC government or relevant local authorities. Any such development could materially and adversely affect our business, financial conditions and results of operations.

RISKS RELATING TO THE PUBLIC OFFER

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

Prior to the Public Offer, there was no public market for our Shares. The Offer Price for our Shares was the result of negotiations between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Offer Price can differ significantly from the market price of our Shares following the Public Offer. In addition, there can be no assurance that there will be an active trading market for our Shares following the Public Offer or in the future.

The trading volume and market price of our Shares following the Public Offer could be volatile.

The price and trading volume of our Shares could be volatile. Factors such as variations in our Group's revenues, earnings and cash flows and announcements of new investments and strategic alliances or acquisitions could result in large and sudden changes in the volume and price at which our Shares will trade. Volatility in the trading price of our Shares could also be caused by factors outside our Group's control and could be unrelated to our Group's operating results. These factors include: (i) concentration of shareholding of our Company; (ii) investors' perception of our Group's business plans; (iii) changes in our Group's senior management personnel; and (iv) macroeconomic factors.

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Future sales or perceived sales of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of the Shares.

There is no assurance that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Public Offer. We cannot predict the effect, if any, of any future sales of our Shares by any of our Controlling Shareholders, or that the availability of our Shares for sale by any of our Controlling Shareholders may have on the market price of our Shares. Sales of a substantial number of our Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of our Shares.

Purchasers of the Offer Shares will experience an immediate dilution and may experience further dilution if we issue additional Shares or other securities in the future.

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Public Offer. Therefore, the purchasers of the Offer Shares will experience an immediate dilution in unaudited pro forma adjusted consolidated net tangible asset value. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to the existing Shareholders, the percentage ownership of the Shareholders of our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Any options granted under the Share Option Scheme may dilute the Shareholders' equity interests.

We have conditionally adopted the Share Option Scheme. As at the Latest Practicable Date, no option had been granted to subscribe for our Shares under the Share Option Scheme. Following any allotment and issue of new Shares upon exercise of any options which may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of the Shareholders which results in a dilution or reduction of the earnings per Share or net asset value per Share. In addition, the fair value of the options to be granted to the eligible participants under the Share Option Scheme will be charged to the consolidated income statements of our Group over the vesting periods, if any, of the options. The fair value of the options shall be determined on the date of granting of the options. Accordingly, our financial results and profitability may be adversely affected.

Shareholders and investors may face difficulties in protecting their interests because our Company was incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than the laws of Hong Kong.

Our corporate affairs are governed by, among other things, the Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders may have different protections than they would have under the laws of Hong Kong.

RISK FACTORS

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES

Statistics and facts in this prospectus have not been independently verified.

This prospectus includes certain statistics and facts that have been extracted from government official sources and publications or from the Frost & Sullivan Report or other sources. We believe that the sources of these statistics and facts are appropriate sources for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts have not been independently verified by us, our Controlling Shareholders, the Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, any of their respective directors, advisers, officers, employees, agents, affiliates and/or representatives or any other persons or parties involved in the Public Offer and therefore, we make no representation as to the accuracy of these statistics and facts, and as such, these statistics and facts should not be unduly relied upon.

Forward-looking statements in this prospectus could prove inaccurate.

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the development of the environment in which we operate. Our actual financial results, performance or achievements could differ materially from those discussed in this prospectus. Investors should be cautious against placing undue reliance on any forward-looking statements as these statements involve known and unknown risks, uncertainties and other factors which could cause our actual financial results, performance or achievements to be materially different from our anticipated financial results, performance or achievements expressed or implied by these statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us and the Public Offer.

There could be press articles, media coverage and/or research analyst reports regarding us and the Public Offer, which could include certain financial information, financial projections, industry comparisons, and/or other information about us and the Public Offer that do not appear in this prospectus. We do not accept any responsibility for any such press articles, media coverage or research analyst report or the accuracy or completeness or reliability of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We have not authorised the disclosure of any such information in the press, media or research analyst report. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it and accordingly, you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE PUBLIC OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Public Offer or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, any of our or their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Public Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus. Details of the structure of the Public Offer, including its conditions, are set out in “Structure and Conditions of the Public Offer”, and the procedures for applying for the Offer Shares are set out in “How to Apply for Offer Shares and Employee Reserved Shares” and in the relevant Application Forms.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Public Offer which is sponsored by the Sponsor and managed by the Joint Lead Managers. The Offer Shares are fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement (including but not limited to the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price). For further information about the Underwriters and underwriting arrangements, see “Underwriting”.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Wednesday, 5 July 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree. For further information relating to the determination of the Offer Price, see “Structure and Conditions of the Public Offer”.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Offer Shares and/or the Employee Reserved Shares will be required to, or by his/her acquisition of the Offer Shares and/or the Employee Reserved Shares be deemed to, confirm that he/she is aware of the restrictions on the offers of the Offer Shares described in this prospectus and the relevant Application Forms and that he/she is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit the offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM. No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times after the Listing, our Company must maintain the minimum prescribed percentage of at least 25% in the hands of the public.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Public Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Listing Division.

Only shares registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALINGS AND SETTLEMENT

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Thursday, 13 July 2017. Shares will be traded in board lots of 5,000 Shares each and are freely transferable. The GEM stock code for the Shares is 8297.

Our Company will not issue any temporary document of title and no receipt will be issued for the subscription monies for the Offer Shares.

HONG KONG SHARE REGISTRAR AND STAMP DUTY

Our Company's principal share register will be maintained by our principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch share register will be maintained by our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, in Hong Kong.

All Offer Shares issued by our Company pursuant to the Public Offer will be registered on our Company's branch share register to be maintained in Hong Kong. Only Shares registered on our Company's branch share register maintained in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees. Dealings in Shares registered in the branch share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Board, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's Hong Kong branch share register to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or, in the case of joint holders, to the first-named holder.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Public Offer are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, our Shares. None of our Company, the Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other persons or parties involved in the Public Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares.

PROCEDURE FOR APPLICATION FOR THE OFFER SHARES

The procedure for application for the Offer Shares is set out in “How to Apply for Offer Shares and Employee Reserved Shares” and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

Details of the structure of the Public Offer, including the conditions thereto, are set out in “Structure and Conditions of the Public Offer”.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any PRC laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains translations for the convenience of the reader the following rates: HK dollars into US dollars at the rate of HK\$7.76 = US\$1.00 and HK dollars into RMB at the rate of HK\$1.00 = RMB0.86 as at the Latest Practicable Date. These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in HK\$, RMB or US\$ can be or could have been at the relevant dates converted at the above rates or any other rates at all.

Unless our Company determines otherwise, dividends payable in HK dollars in respect of the Shares will be paid to the Shareholders listed on our Company’s Hong Kong branch register of members to be maintained in Hong Kong by cheque sent, by ordinary post, at the Shareholder’s risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder in accordance with the Articles.

ROUNDING

Any discrepancies in any table or chart between the totals and the sums of the amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
Executive Directors		
Mr. Chan Lin So Alan (陳麟書)	G/F., 15 San Hong Street Sheung Shui New Territories Hong Kong	Dutch
Mr. Yiu Koon Pong (姚冠邦)	House 110, Boulevard Du Palais The Beverly Hills, Tai Po New Territories Hong Kong	British
Independent non-executive Directors		
Mr. Wong Tin King Richard (黃天競)	Flat 1, 32/F, Block C, Beverly Hill 6 Broadwood Road Happy Valley Hong Kong	British
Mr. Li Fu Yeung (李富揚)	Flat G, 4/F, 15 Austin Avenue Kimberley Mansion Tsim Sha Tsui Hong Kong	Chinese
Ms. Chow Ting Hei Haily Josephine (鄒婷晞)	Flat 1B, Block A Ning Yeung Terrace 78 Bonham Road Hong Kong	Chinese

For further details, please see “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER

PARTIES INVOLVED IN THE PUBLIC OFFER

Sponsor

Lego Corporate Finance Limited

A corporation licenced to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Room 1601, 16/F, China Building
29 Queen's Road Central
Hong Kong

Sole Bookrunner

Lego Securities Limited

A corporation licenced to carry on Type 1 (dealing in securities) regulated activity under the SFO
Room 804, 8/F, Jubilee Centre
46 Gloucester Road
Wanchai
Hong Kong

Joint Lead Managers

Lego Securities Limited

A corporation licenced to carry on Type 1 (dealing in securities) regulated activity under the SFO
Room 804, 8/F, Jubilee Centre
46 Gloucester Road
Wanchai
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited

A corporation licenced to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Units 3501–3507 & 3513–14
35/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Co-Managers

Ping An Securities Limited

A corporation licenced to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Unit 02, 2/F, China Merchants Building
152–155 Connaught Road Central
Hong Kong

Bonus Eventus Securities Limited

*A corporation licenced to carry on Type 1
(dealing in securities) regulated activity under the SFO*
Room 1707, 17th Floor, Tower II
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Convoy Investment Services Limited

*A corporation licenced to carry on Type 1
(dealing in securities), Type 2 (dealing in futures
contracts), Type 4 (advising on securities) and Type 9
(asset management) regulated activities under the SFO*
21/F, Tesbury Centre
24–32 Queen’s Road East
Wanchai
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Guantao & Chow

Suites 1604–6, 16/F, ICBC Tower
3 Garden Road
Central
Hong Kong

As to the PRC law:

Beijing Guantao Law Firm

18/F, Tower B, Xincheng Plaza
5 Finance Street, Xicheng District
Beijing PRC
and

15B, Tower A, World Finance Centre
4003 Shennan Road East
Shenzhen
Guangdong PRC

As to Cayman Islands law:

Appleby

2206–19 Jardine House
1 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER

Legal advisers to the Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> Pinsent Masons 50th Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong</p> <p><i>As to the PRC law:</i> Dentons 3/F & 4/F, Block A Shenzhen International Innovation Center No. 1006, Shennan Boulevard Futian District Shenzhen Guangdong PRC</p>
Auditors and reporting accountants	<p>Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Central Hong Kong</p>
Industry consultant	<p>Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai 200232 PRC</p>
Receiving bank	<p>Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong</p>
Compliance adviser	<p>Lego Corporate Finance Limited <i>A corporation licenced to carry on Type 6 (advising on corporate finance) regulated activity under the SFO</i> Room 1601, 16/F, China Building 29 Queen's Road Central Hong Kong</p>

CORPORATE INFORMATION

Registered office	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	11/F., Linkchart Centre 2 Tai Yip Street, Kwun Tong Kowloon Hong Kong
Principal place of business in the PRC	4/F, Building 5 Ge Zhen Dong Road Ping Hu She Qu Ping Hu Street Longgang District Shenzhen Guangdong Province, PRC
Company's website	www.bodibra.com <i>(Information contained in this website does not form part of this prospectus)</i>
Authorised representatives	Mr. Chan Lin So Alan (陳麟書) G/F., 15 San Hong Street Sheung Shui New Territories Hong Kong Mr. Yiu Koon Pong (姚冠邦) House 110, Boulevard Du Palais The Beverly Hills, Tai Po New Territories Hong Kong
Company secretary	Mr. Fok Wai Hung (霍偉雄) <i>HKICPA, ACCA</i> 2/F., Yeung Uk San Tsuen Wangchau, Yuen Long New Territories Hong Kong
Compliance officer	Mr. Chan Lin So Alan (陳麟書)
Audit committee	Mr. Wong Tin King Richard (黃天競) (<i>Chairman</i>) Mr. Li Fu Yeung (李富揚) Ms. Chow Ting Hei Haily Josephine (鄒婷晞)

CORPORATE INFORMATION

Remuneration committee	Mr. Li Fu Yeung (李富揚) (<i>Chairman</i>) Ms. Chow Ting Hei Haily Josephine (鄒婷晞) Mr. Wong Tin King Richard (黃天競)
Nomination committee	Ms. Chow Ting Hei Haily Josephine (鄒婷晞) (<i>Chairman</i>) Mr. Chan Lin So Alan (陳麟書) Mr. Wong Tin King Richard (黃天競)
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Boardroom Share Registrars (HK) Limited 31/F, 148 Electric Road North Point Hong Kong
Principal banker	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

INDUSTRY OVERVIEW

This section and elsewhere in this prospectus contain information extracted from a commissioned report, or the Frost & Sullivan Report, prepared by Frost & Sullivan for inclusion in this prospectus. We believe that the sources of information of this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Directors, the Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, any of their respective directors, advisers, officers, employees, agents, or representatives or any other person involved in the Public Offer, other than Frost & Sullivan, and no representation is given as to its fairness, correctness and accuracy. Accordingly, you should not place undue reliance on such information or statistics. Please see “Risk Factors — Risks relating to the statements made in this prospectus and from other sources — Statistics and facts in this prospectus have not been independently verified.” for details. We confirm, after making reasonable enquiries, that there have been no material adverse changes in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

SOURCES OF INFORMATION

Our Group commissioned Frost & Sullivan, a market research consultant, to prepare the Frost & Sullivan Report for use in this prospectus. Our Group has agreed to pay a fee of RMB615,000 for the Frost & Sullivan Report. Our Group is of the view that the payment of such fee does not affect the fairness of the conclusions drawn in the Frost & Sullivan Report.

Established in 1961, Frost & Sullivan provides market research on a variety of industries, including the functional lingerie industry. The Frost & Sullivan Report includes information on the functional lingerie markets in Hong Kong, the PRC and Macau. In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved having in-depth discussions with the industrial association, industry experts and leading industry participants. Frost & Sullivan has also conducted secondary research which involved reviewing company annual reports, independent research reports and data from its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the industry drivers.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) the social, economic and political environment in Hong Kong, the PRC and Macau will remain stable from 2017 to 2020, and (ii) key market drivers that continue to affect the functional lingerie market from 2017 to 2020. Frost & Sullivan and we believe that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analysed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected.

The historical market information from 1 January 2017 to 31 March 2017 was not available as the overall industry research conducted by Frost & Sullivan was based on calendar year and 31 December is the typical time node for historical data analysis.

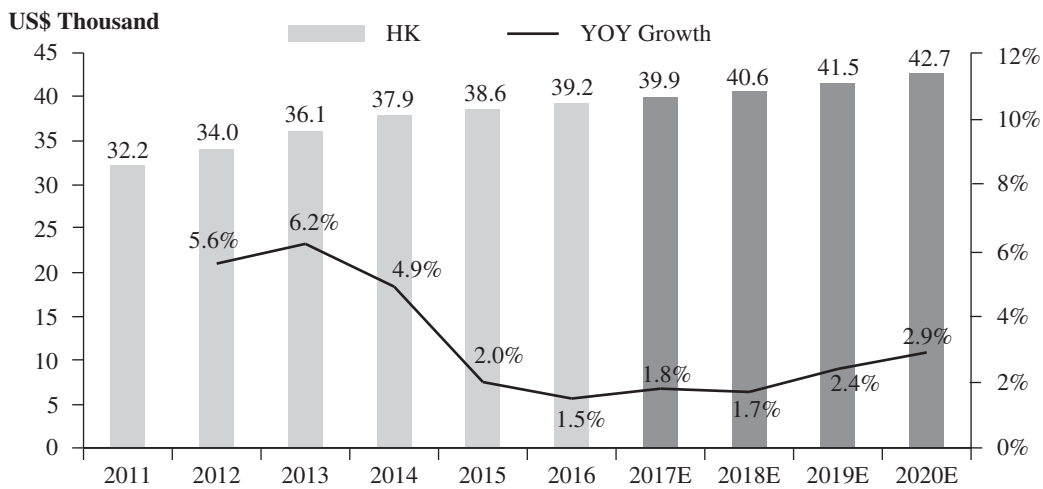
INDUSTRY OVERVIEW

OVERVIEW OF THE MACRO ECONOMY IN HONG KONG AND THE PRC

The growth of per capita disposable income in Hong Kong has been moderate from 2011 to 2016, with a CAGR of approximately 4.0% and increased from approximately US\$32,200 to approximately US\$39,200 in 2016. The per capita disposable income in the PRC increased at a CAGR of approximately 10.6% from approximately US\$2,300 in 2011 to US\$3,800 in 2016. By 2020, the per capita disposable income in Hong Kong and the PRC is estimated to reach approximately US\$42,700 and approximately US\$5,400, respectively.

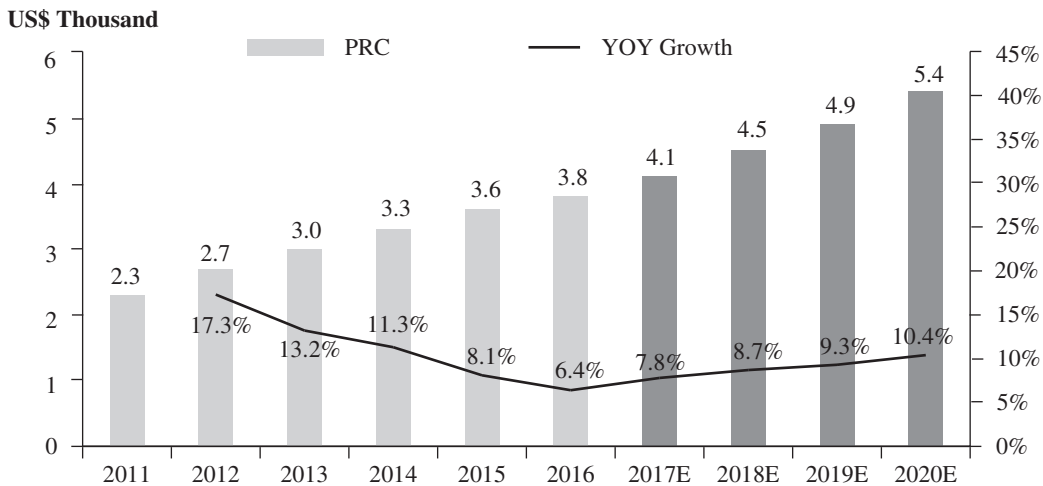
The charts below illustrate the historical and expected per capita disposable income in Hong Kong and the PRC from 2011 to 2020:

Per Capita Disposable Income (Hong Kong), 2011–2020E



Source: Frost & Sullivan

Per Capita Disposable Income (the PRC), 2011–2020E



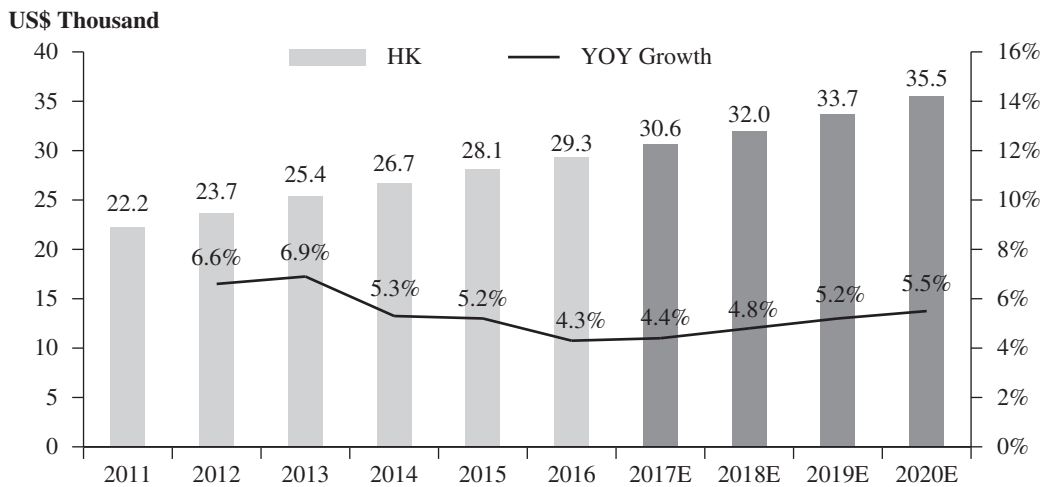
Source: Frost & Sullivan

INDUSTRY OVERVIEW

The increasing disposable income has brought up consumption expenditure of Hong Kong consumers on goods and services. From 2011 to 2016, per capita consumption expenditure in Hong Kong had grown at a CAGR of approximately 5.7% from approximately US\$22,200 to approximately US\$29,300. During the same period, per capita consumption expenditure in the PRC had grown at a CAGR of approximately 11.0% from approximately US\$1,600 to approximately US\$2,700. By 2020, per capita consumption expenditure in Hong Kong and the PRC is projected to reach approximately US\$35,500 and approximately US\$3,800 respectively.

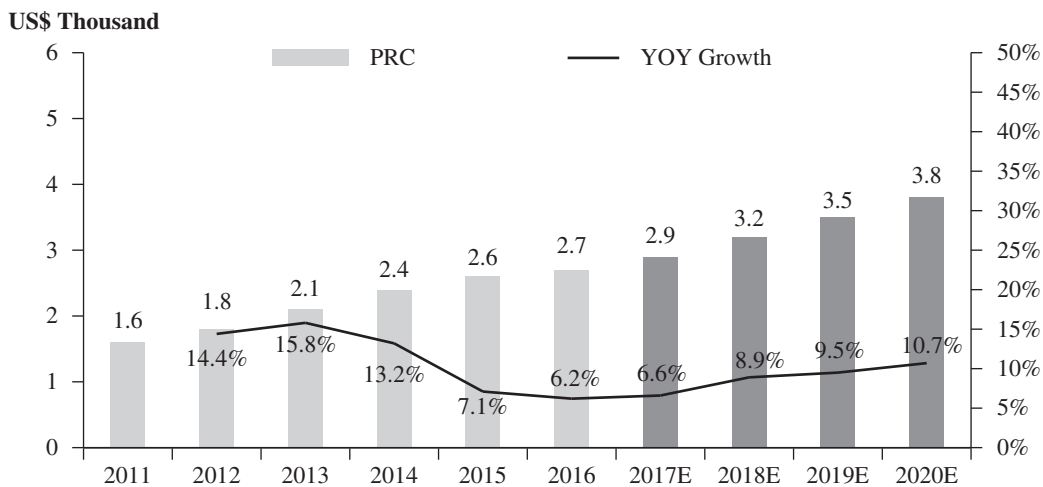
The charts below illustrate the historical and expected per capita consumption expenditure in Hong Kong and the PRC from 2011 to 2020:

Per Capita Consumption Expenditure (Hong Kong), 2011–2020E



Source: Frost & Sullivan

Per Capita Consumption Expenditure (the PRC), 2011–2020E



Source: Frost & Sullivan

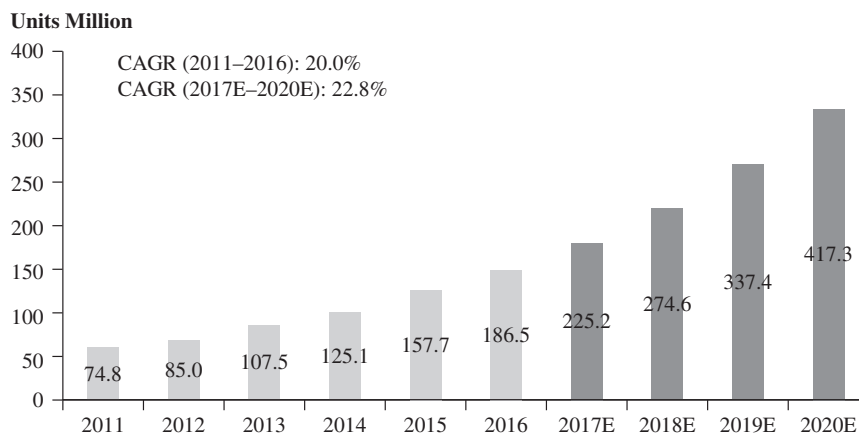
FUNCTIONAL LINGERIE MARKET OVERVIEW**Definition and classification of functional lingerie**

Functional lingerie, including mainly functional bras, panties (ankle-length and mid-thigh), vests and body shaping suits (full-body and mid-thigh), refers to undergarment designed to shape wearer's body shape and encourage good posture. Major functions of functional lingerie, apart from basic functions of traditional lingerie, mainly include lifting, slimming and shaping. Functional lingerie is also different from basic lingerie in three main aspects, namely function, fabric, and design. Functional lingerie, as one of the major lingerie products for female consumers, has increasingly obtained market recognition and contributed to a growing share of total lingerie market in the PRC and Hong Kong. Functional lingerie is considered a sub-segment market of lingerie products as it possesses additional functions that are beyond the functions of ordinary lingerie products, and as such, Frost & Sullivan considers that functional lingerie could be an industry classification.

These products are typically designed to flatten wearer's stomach and make them look slimmer and more attractive in the outfit they are wearing on top. Functional lingerie comes in various forms, from simple underpants to one-piece garments covering thighs and/or upper body. Functional lingerie is usually made from fabrics made of polyester, polyamide or spandex, which are light materials made from artificial fibres, characterised by elasticity and shape retention ability, and is often applied to make outerwear, active wear and swimwear.

Production volume of functional lingerie in the PRC

The functional lingerie production volume in the PRC has been increasing since 2011, from approximately 74.8 million units to approximately 186.5 million units in 2016, representing a CAGR of approximately 20.0%. The majority of functional lingerie manufacturers opt to establish factories in the PRC due to the relatively low production costs including labour and raw material. The chart below illustrates the historical and expected production volume of the functional lingerie market in the PRC from 2011 to 2020:

Production volume of functional lingerie market (the PRC), 2011–2020E

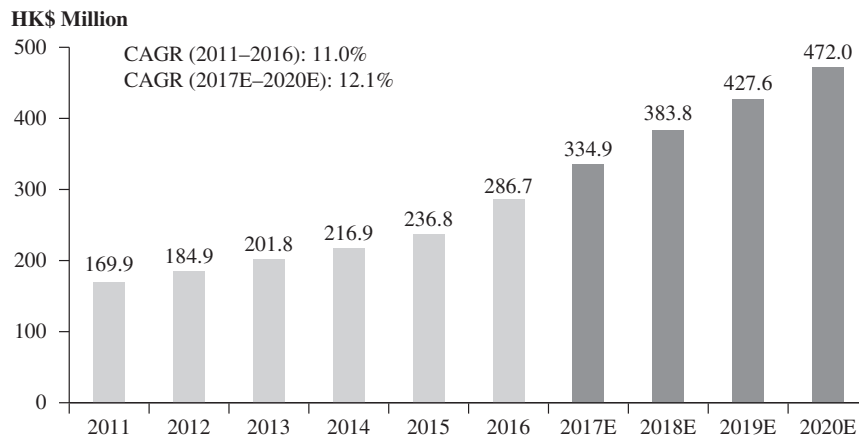
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Retail functional lingerie market in Hong Kong

Since 2011, the retail functional lingerie market in Hong Kong has experienced steady growth. From 2011 to 2016, the retail functional lingerie market in Hong Kong increased from approximately HK\$169.9 million to approximately HK\$286.7 million, at a CAGR of approximately 11.0%. It is estimated that the retail functional lingerie market will accelerate at a CAGR of approximately 12.1% from 2017 to 2020, reaching approximately HK\$472.0 million by 2020. The table below illustrates the historical and expected market size of the functional lingerie market in Hong Kong from 2011 to 2020:

Retail sales of functional lingerie (Hong Kong), 2011–2020E



Source: Frost & Sullivan

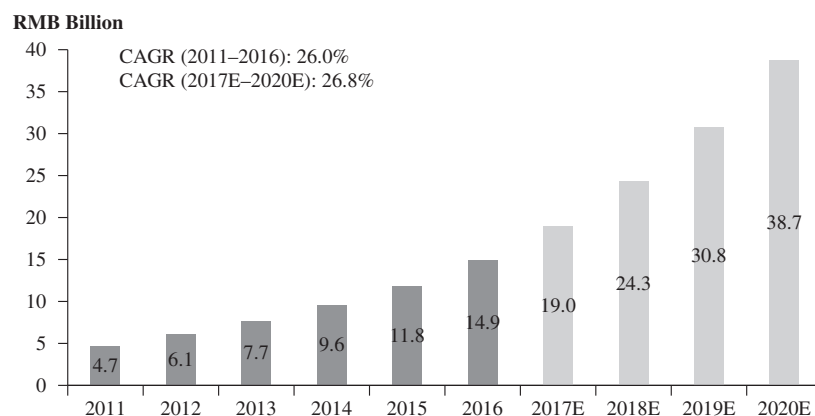
Retail functional lingerie market in the PRC

The retail functional lingerie market in the PRC has maintained a considerable growth in the past five years. From 2011 to 2016, the retail functional lingerie market in the PRC increased from approximately RMB4.7 billion to approximately RMB14.9 billion, at a CAGR of approximately 26.0%. The retail functional lingerie market in the PRC is expected to reach approximately RMB38.7 billion by 2020, representing a CAGR of approximately 26.8% in the next four years.

INDUSTRY OVERVIEW

The table below illustrates the historical and expected market size of the functional lingerie market in the PRC from 2011 to 2020:

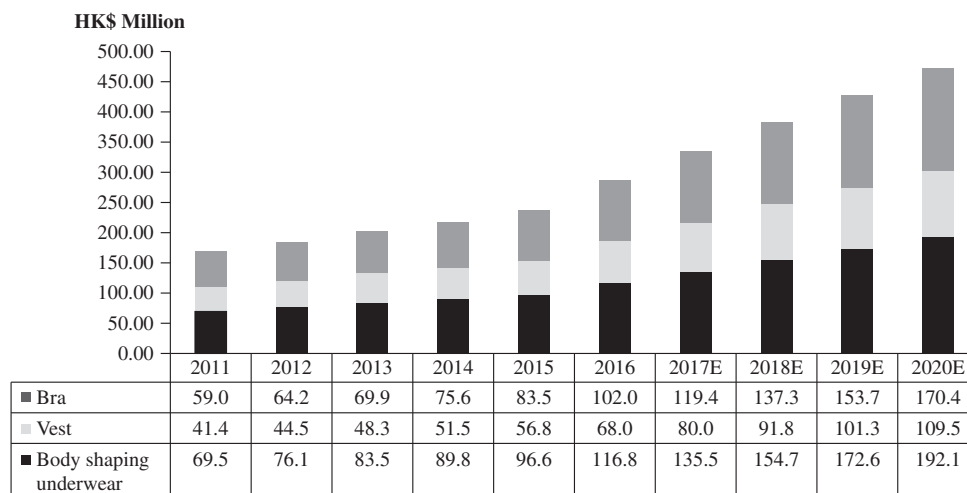
Retail sales of functional lingerie (the PRC), 2011–2020E



Source: Frost & Sullivan

With regard to the retail sales breakdown in Hong Kong, functional bra enjoyed a relatively faster growth rate during the past few years. Body shaping underwear, which is considered as high-end lingerie products with higher retail prices, accounts for a significant proportion of market share. The overall growth in various product segments is expected to maintain in the forecasted period up to 2020 along with expansion of consumer group and improved quality of functional lingerie products. The chart below illustrates the historical and expected retail sales breakdown of functional lingerie by product categories in Hong Kong from 2011 to 2020:

Retail sales breakdown of functional lingerie by product categories (Hong Kong), 2011–2020E



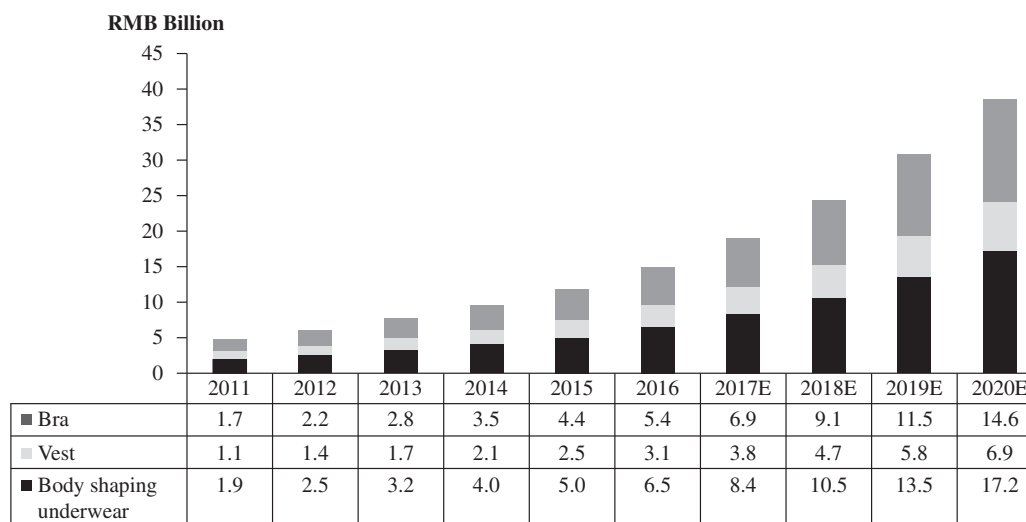
Product categories	Approximate CAGR 2011–2016	Approximate CAGR 2017E–2020E
Bra	11.6%	12.6%
Vest	10.4%	11.0%
Body shaping underwear	10.9%	12.3%

Source: Frost & Sullivan

INDUSTRY OVERVIEW

With regard to the retail sales breakdown in the PRC, functional bra and body shaping underwear enjoyed significant growth from 2011 to 2016, reaching approximately RMB5.4 billion and approximately RMB6.5 billion in 2016, respectively. With further acceptance of high-end functional lingerie and diversified functionality in the PRC, functional bras are expected to witness growth at a CAGR of approximately 28.4% from 2017 to 2020. The chart below illustrates the historical and expected retail sales breakdown of functional lingerie by product categories in the PRC from 2011 to 2020:

Retail sales value of functional lingerie by product categories (the PRC), 2011–2020E



<u>Product categories</u>	<u>Approximate CAGR 2011–2016</u>	<u>Approximate CAGR 2017E–2020E</u>
Bra	26.0%	28.4%
Vest	23.0%	22.0%
Body shaping underwear	27.9%	27.0%

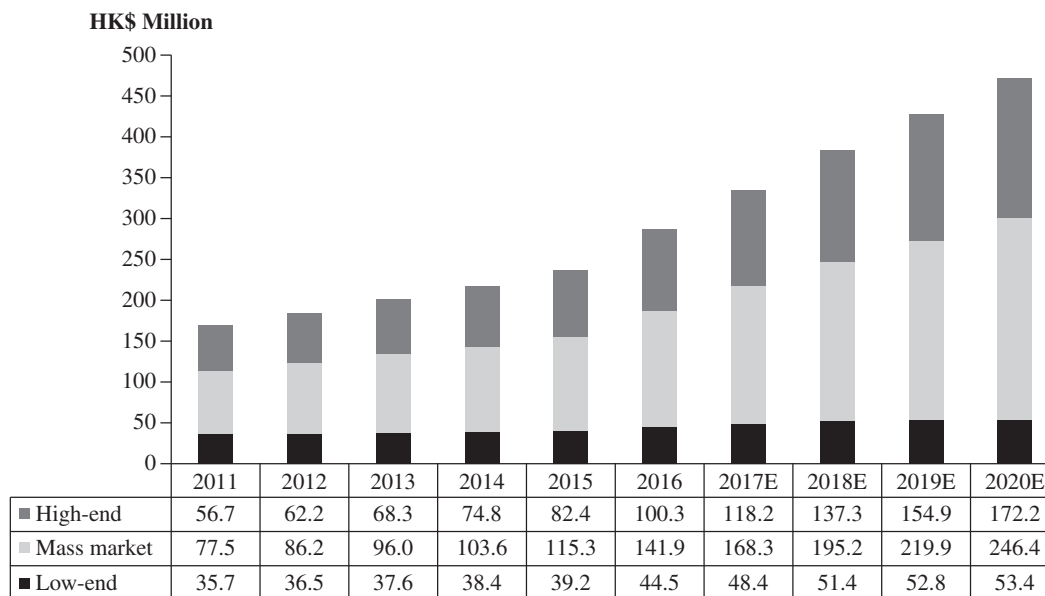
Source: Frost & Sullivan

The average retail prices of functional lingerie products sold to the mass market in Hong Kong usually range from HK\$250 to HK\$450 whereas products above HK\$450 and below HK\$250 are targeted at high-end and low-end segments, respectively. From 2011 to 2016, the mass market enjoyed a significant growth in sales revenue, increasing from approximately HK\$77.5 million to approximately HK\$141.9 million at a CAGR of approximately 12.9%. This is due to the fact that high value-for-money functional lingerie is increasingly popular among female consumers.

INDUSTRY OVERVIEW

Therefore, the market share of this segment also increased from approximately 45.6% in 2011 to approximately 49.5% in 2016. The chart below illustrates the historical and expected retail sales value of functional lingerie by target markets in Hong Kong from 2011 to 2020:

Retail sales value of functional lingerie by target market (Hong Kong), 2011–2020E



<u>Target markets</u>	<u>Approximate CAGR 2011–2016</u>	<u>Approximate CAGR 2017E–2020E</u>
High-end market	12.1%	13.4%
Mass market	12.9%	13.5%
Low-end market	4.5%	3.3%

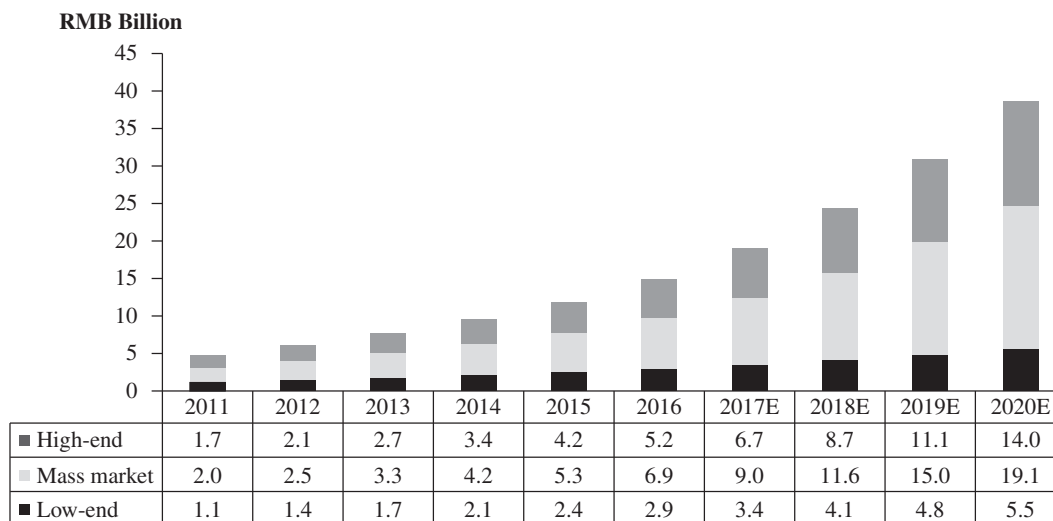
Source: Frost & Sullivan

The average retail prices of functional lingerie products sold to the mass market in the PRC usually range from RMB150 to RMB300. Functional lingerie with prices above RMB300 is considered high-end, while functional lingerie with prices below RMB300 is considered low-end. From 2011 to 2016, the market share of mass market experienced rapid growth, increasing from approximately 41.7% to approximately 46.0%. In 2016, the retail sales value of the mass market of functional lingerie reached approximately RMB6.9 billion, while high-end market share reached approximately 34.7%. Given the huge potential of the female consumer base of functional lingerie,

INDUSTRY OVERVIEW

the mass market is expected to demonstrate large market potential, with a market share of approximately 49.5% by 2020. The chart below illustrates the historical and expected retail sales value of functional lingerie by target markets in the PRC from 2011 to 2020:

Retail sales value of functional lingerie by target market (the PRC), 2011–2020E



<u>Target markets</u>	<u>Approximate CAGR 2011–2016</u>	<u>Approximate CAGR 2017E–2020E</u>
High-end market	25.1%	27.8%
Mass market	28.1%	28.5%
Low-end market	21.4%	17.4%

Source: Frost & Sullivan

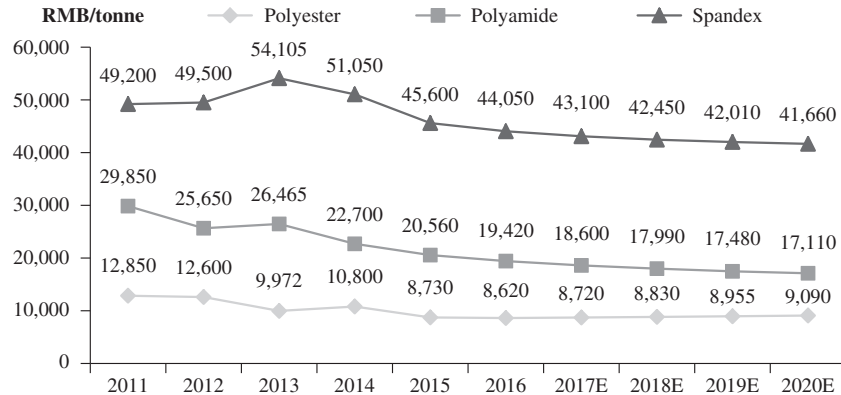
Raw materials of functional lingerie market

Major raw materials for manufacturing functional lingerie include fabrics made of polyester, polyamide, spandex, etc.. During the past six years, the average prices of these raw materials went through noticeable downturn. The average price of polyester decreased from approximately RMB12,850 per tonne in 2011 to approximately RMB8,620 per tonne in 2016, representing a CAGR of approximately (7.7)%. With the supply and demand of such raw materials becoming more stabilised, their prices will experience less fluctuation in the future. The main reason of the price reduction is the over-supply of common textile products in the market, giving manufacturers

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relatively higher bargaining power in raw material sourcing. The graph below illustrates the historical and expected average prices of the major raw materials for manufacturing functional lingerie in the PRC from 2011 to 2020E:

Average price of major raw materials (the PRC), 2011–2020E

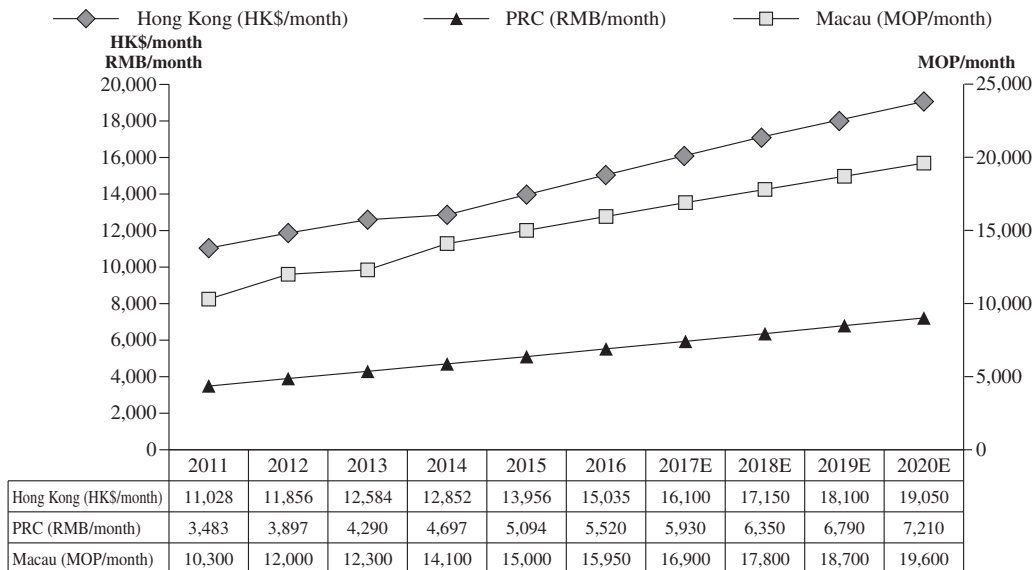


Source: Frost & Sullivan

Labour costs of the functional lingerie market

Labour cost also contributes a large proportion of total production cost. From 2011 to 2016, average labour costs in Hong Kong, the PRC and Macau experienced continuous growth. In 2016, the median monthly wages in Hong Kong and Macau were approximately HK\$15,035 and MOP15,950, respectively, while the average monthly wage in the PRC was approximately RMB5,520. From 2017 to 2020, the median monthly wages in Hong Kong and Macau are expected to increase at CAGRs of 5.8% and 5.1%, respectively. By 2020, the average monthly wage in the PRC is expected to reach approximately RMB7,210.

Labour cost and forecasts (Hong Kong, the PRC and Macau), 2011–2020E



Source: Frost & Sullivan

Market drivers of functional lingerie market

- *Sustained growth of macro economics and rise of disposable income:* Hong Kong has witnessed sustained growth of macro-economy, which is expected to maintain stable growth momentum in the next few years. Undoubtedly, such trend guarantees an excellent macroeconomic environment for the development of the retail industry, which will positively affect the functional lingerie market. With the increasing average income level and purchasing power, people in Hong Kong are continuously looking to improve their living standards. Lingerie products, as a kind of necessity, have obtained much more emphasis among consumers.
- *More awareness and emphasis on body shaping and body health:* with continuous improvement in living standards, women's consciousness on body shapes has gradually increased. Accordingly, the consumption demand on high-quality functional lingerie products has seen rapid growth as increasing number of female consumers wear functional lingerie for body-shaping and better postures. The popularity of functional lingerie continuously broadens consumers' understanding in lingerie products and encourages the consumption of high quality lingerie products. As a result, lingerie as well as functional lingerie brands have paid higher attention to the development of functional lingerie products, and their expansion in the functional lingerie market.
- *Increase brand awareness:* due to years of development of the market and more mature consumption habits, Hong Kong consumers have shown higher preference to buy branded products, which indicates that brand awareness and identity are important in current years. As consumers have shown higher confidence in the overall quality of branded products, the demand for functional lingerie products of popular brands, especially internationally well-known brands, has experienced a dramatic growth. Under this consumption upgrade, famous functional lingerie brands can sell their products at a premium.
- *Knowledge in orthopaedic/ergonomic principles:* as functional lingerie designers and companies usually have knowledge in orthopaedic and ergonomic principles and apply them to the design and development of new functional lingerie products, newly-developed products are more advanced in improving body postures.

COMPETITIVE LANDSCAPE

Competitive landscape of the functional lingerie market in Hong Kong

Functional lingerie market accounted for approximately 7.3% of the overall lingerie market in Hong Kong measured by retail turnover for the year ended 31 December 2016. As at 31 December 2016, there were approximately 40 market players in the functional lingerie market in Hong Kong. As a small segment of the overall lingerie market, the functional lingerie market in Hong Kong is highly concentrated with the top five players dominating approximately 91.7% of the total market share by retail turnover in 2016. In 2016, we ranked second in the functional lingerie market in Hong Kong with a market share of approximately 25.6% in terms of retail turnover. The following

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table sets out the ranking and market share of the top five functional lingerie brands in Hong Kong in terms of sales revenue in 2016:

Top five functional lingerie brands (Hong Kong), 2016

<u>Rank</u>	<u>Company</u>	<u>Approximate retail turnover (HK\$ million)</u>	<u>Approximate market share</u>
1	Company A	104.6	36.5%
2	Our Group	73.5	25.6%
3	Company B	38.1	13.3%
4	Company C	26.7	9.3%
5	Company D	20.0	7.0%
Subtotal:		262.9	91.7%

Source: Frost & Sullivan

Competitive landscape of the functional lingerie market in the PRC

As at 31 December 2016, there were more than 1,500 functional lingerie brands in the PRC, including common lingerie brands that offer functional lingerie products. The functional lingerie market in the PRC is relatively concentrated with the top five players accounting for approximately 24.0% of the total market share by retail turnover in 2016. Our Group had less than 0.1% of the total market share by retail turnover in 2016. The following table sets out the ranking and market share of the top five functional lingerie brands in the PRC in terms of sales revenue in 2016:

Top five functional lingerie brands (the PRC), 2016

<u>Rank</u>	<u>Company</u>	<u>Approximate retail turnover (RMB million)</u>	<u>Approximate market share</u>
1	Company E	1,150	7.7%
2	Company F	810	5.4%
3	Company G	695	4.7%
4	Company H	570	3.8%
5	Company I	358	2.4%
Subtotal:		3,583	24.0%

Source: Frost & Sullivan

Competitive landscape of the functional lingerie market in Macau

Macau is one of Asia's famous cities known for shopping and tourism. Under the influence of western culture, female consumers in Macau are in general more likely to accept functional lingerie products than female consumers in the PRC. Most of the leading functional lingerie brands have operations in Macau, which include both retail stores and department store counters. Along with further development and expansion of trading scale and retail industry, industries such as textile apparel in Macau grew at a fast pace, which created good business opportunities for local

INDUSTRY OVERVIEW

functional lingerie companies. Similar to the Hong Kong functional lingerie market competitive landscape, leading market players in Macau mainly consist of large international brands and local small to medium-sized businesses.

As at 31 December 2016, there were approximately 30 market players that provided functional lingerie products in Macau, among which the top five players accounted for approximately 92.2% of the total market share by retail turnover in 2016. The following table sets out the ranking and market share of the top five functional lingerie brands in Macau in terms of sales revenue in 2016:

Top five functional lingerie brands (Macau), 2016

<u>Rank</u>	<u>Company</u>	<u>Approximate retail turnover (MOP million)</u>	<u>Approximate market share</u>
1	Company C	14.1	29.7%
2	Company J	10.5	22.2%
3	Company D	8.3	17.5%
4	Company B	6.4	13.5%
5	Company K	4.4	9.3%
Subtotal:		43.7	92.2%

Source: Frost and Sullivan

Entry barriers

- *Research and development capacity:* lack of competitive research and development and technological capabilities compared with established market participants which have advanced perspective and effective implementation.
- *Market insight:* lack of market insight for the successful introduction of a new product, such as understanding consumers' preference and predicting market trends.
- *Supply chain management:* lack of experience and resources to maintain relationship and collaboration with various chain partners, affecting the ability to achieve superior supply chain management. Supply chain management is a cross-function and complicated approach that includes managing the movement of raw materials, the internal processing of raw materials into finished goods, and the movement of finished goods to the consumer. Superior supply chain management can improve production efficiency, product quality and profit margins.
- *Capital investment:* new entrants need enough capital to start its business (for example, to conduct research and development, purchase of equipment and sales and marketing) and to compete with existing market players.

Development trends of the functional lingerie market

- *Product innovation with diversified functionality:* with increasing different demands from different consumers, functional lingerie products have become more diversified. To meet different consumers' diversified demands, functional lingerie manufacturers design and develop different kinds of products for different ages or purposes. In-depth understanding in consumer preferences and effective marketing strategies are crucial for long-term growth of functional lingerie companies. Hence, these companies continue to seek deeper insights in different segments of the market as well as develop diversified and creative product designing and manufacturing capabilities with innovative technologies, so that they could gain faster growth and capture new market opportunities.
- *Improvement of manufacturing technology:* in recent years, some functional lingerie companies have emphasised manufacturing technology innovation and improvement in manufacturing automation level. The recent introduction of the injection moulding technology to this industry is also an example of the cross-industry technology innovation. With such manufacturing technology innovation, manufacturers can improve their product quality, production efficiency as well as the profit margins.

Opportunity

- *Production diversification and market segmentation:* as the demand for functional lingerie consumption continuously upgrades and diversifies, functional lingerie companies need to develop different types of products catered to the demand of female consumers of different age groups. Functional lingerie designed for specific purposes such as improving postures of teenage wearers are expected to enjoy higher market awareness. Further product diversification and market segmentation encouraged by the changing demand for functional lingerie drive continuous product innovation and create opportunities for market players in expanding product offerings.

Challenges

- *Application of new materials and technologies:* understanding and applying new elements such as 3-dimensional printing technology and the application of new synthetic materials into the traditional manufacturing process to increase efficiency and profits will be a long term goal for market players.
- *Rising labour cost:* increasing average salary in both Hong Kong, the PRC and Macau will bring challenges to players due to increase in the overall production and operating costs.

REGULATORY OVERVIEW

Set out below is a summary of the major applicable laws and regulations relevant to our businesses and operations in Hong Kong and the PRC.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATIONS IN HONG KONG

Laws and Regulations in relation to Registration and Licence

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

Our Group carries on business in Hong Kong, hence we are subject to the Business Registration Ordinance which requires every person, whether a company or an individual, who carries on a business in Hong Kong to apply for business registration certificate from the Inland Revenue Department within one month from the date of commencement of the business, and to display the valid business registration certificate at the place of business. Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offence, and shall be liable to a fine of HK\$5,000 and to imprisonment for one year.

Except for the application of a business registration certificate under the Business Registration Ordinance, we are not required to obtain any industry-specific licence, permit, authorisation or qualification for our Group's operations in Hong Kong.

Laws and Regulations in relation to Labour Health and Safe Production

As our Group is engaged in the manufacturing of lingerie involving the operation of sewing machines by workers in a factory situated in a factory building in Hong Kong, we are subject to the laws and regulations in relation to health and safety.

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)

The Factories and Industrial Undertakings Ordinance provides safety and health protection to workers in an industrial undertaking. Under this Ordinance, every proprietor shall, as far as reasonably practicable, take steps to safeguard occupational safety and health for all persons employed by it at an industrial undertaking by:

- (i) providing and maintaining plant and work systems that are safe and risk-free to health;
- (ii) making arrangements for ensuring safety and health in using, handling, storing and transportation of articles and substances;
- (iii) providing all necessary information, instructions, training, and supervision for ensuring safety and health;
- (iv) providing and maintaining safe access to and from the workplace; and
- (v) providing and maintaining a working environment that is safe and risk-free to health.

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A proprietor who contravenes any of these obligations commits an offence and is liable to a maximum fine of HK\$500,000. A proprietor who contravenes these obligations wilfully and without reasonable excuse commits an offence and is liable to a maximum fine of HK\$500,000 and maximum imprisonment for six months.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance sets out provisions governing safety and health of employees in both industrial and non-industrial workplaces. Employers must, as far as reasonably practicable, ensure safety and health in their workplaces by:

- (i) providing and maintaining plant and work systems that are safe and risk-free to health;
- (ii) making arrangement for ensuring safety and absence of health risk in connection with using, handling, storing or transportation of plant or substances;
- (iii) providing all necessary information, instructions, training, and supervision for ensuring safety and health;
- (iv) providing and maintaining safe access to and from the workplaces; and
- (v) providing and maintaining a working environment that is safe and risk-free to health.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a maximum fine of HK\$200,000. An employer which fails to comply with the said provisions intentionally, knowingly or recklessly commits an offence and is liable on conviction to a maximum fine of HK\$200,000 and imprisonment for up to six months.

The Commissioner for Labour may also issue an improvement notice against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

Laws and Regulations in relation to Employment

As at the Latest Practicable Date, we had 70 employees in Hong Kong working in our office, factory and retail stores, hence we are subject to the following laws and regulations in relation to labour and employment.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

The Employment Ordinance is the main piece of Hong Kong legislation governing conditions of employment in Hong Kong. It provides for various employment-related benefits and entitlements to employees. All employees covered by the Employment Ordinance, irrespective of their hours of work, are entitled to protection including payment of wages, restrictions on wages

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deductions and the granting of statutory holidays. Employees who are employed under a continuous contract are further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries, and lays down the rights and obligations of employers and employees in respect of injuries or death caused by prescribed occupational diseases or accidents arising out of and in the course of employment.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to compensate even if the employee might have committed acts of faults or was negligent when the accident occurred. Similarly, an employee who suffers incapacity or dies of an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies for all their employees (including full-time and part-time employees) to cover their liabilities under the Employees' Compensation Ordinance and at common law for work injuries for an amount not less than the applicable amount specified under the ordinance. Currently, the applicable amount is HK\$100 million per event where the number of employees in relation to whom the policy is in force does not exceed 200, and the applicable amount is HK\$200 million per event where the number of employees in relation to whom the policy is in force exceeds 200. An employer who fails to secure the said insurance cover is liable on conviction to a maximum fine of HK\$100,000 and imprisonment for up to two years and on a summary conviction to a fine of HK\$100,000 and imprisonment for one year.

According to section 48 of the Employees' Compensation Ordinance, an employer shall not, without the consent of the Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under the Employees' Compensation Ordinance) before occurrence of certain events. Any person who commits breach of this provision is liable on conviction to a maximum fine of HK\$100,000.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

Under the Mandatory Provident Fund Schemes Ordinance, employers must participate in a Mandatory Provident Fund ("MPF") Scheme for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, employees are required to enrol their regular employees (except for certain exempt persons) aged between 18 but under 65 years of age and employed for 60 days or more within the first 60 days of employment. For both employees and employers, it is mandatory to make contributions to the plan at 5% of the employees' relevant

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income, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014).

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (HK\$34.5 per hour as of the Latest Practicable Date) during the wage period in which employee is engaged under a contract of employment as defined in the Employment Ordinance (except those specified under section 7 of the Minimum Wage Ordinance). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Failure to pay minimum wage amounts to a breach of the wage provisions under the Employment Ordinance. According to the Employment Ordinance, an employer who wilfully and without reasonable excuse fails to pay wages to an employee when it becomes due is liable to a fine of HK\$350,000 and imprisonment for three years.

Laws and Regulations in relation to Product Liability and Consumer Protection

As our Group is a manufacturer and retailer of our own branded lingerie in Hong Kong, we are subject to the following laws and regulations in relation to product liability and consumer protection. There is no comprehensive legislation in Hong Kong governing product liability and consumer protection. The law in this area comprises of legislation and case law, on both civil and criminal aspects. Various ordinances and regulations impose criminal liability on manufacturers, retailers or suppliers for unsafe products. The main governing statute is the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong). In Hong Kong, the sale of goods is regulated by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). Various other legislations may also be relevant to the operations of our retailing business, including but not limited to the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong)

We sell our own branded lingerie and other complementary and ancillary products in our retail stores in Hong Kong. Our sale of the said consumer goods is subject to the Consumer Goods Safety Ordinance which imposes a duty on manufacturers, importers and suppliers of certain consumer goods to ensure that the consumer goods they supply are safe and for incidental purposes.

Section 4(1) of the Consumer Goods Safety Ordinance requires consumer goods to be reasonably safe having regard to all of the circumstances including the manner in which, and the purpose for which the products are presented, promoted or marketed, the use of any mark in relation to the products, instructions and warnings given for the keeping or use of the products, reasonable safety standards published by a standard institute or other similar bodies and the existence of any reasonable means to make the products safer.

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The Consumer Goods Safety Ordinance also imposes criminal penalties for a breach of safety requirements. The Commissioner of Customs and Excise has the power to serve a recall notice requiring the immediate withdrawal of any consumer goods or products which he believes to be unsafe and may cause serious injury.

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

Contracts for the sale of goods in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). For consumer transactions, certain terms are implied into sales contracts to strengthen protection to consumers.

Section 16 of the Sale of Goods Ordinance provides that where a seller sells goods in the course of a business, there is an implied undertaking that the goods are of merchantable quality, requiring that the goods should be fit for the purpose(s) for which goods of that kind are commonly bought, of such standard of appearance and finish, free from defects (including minor defects), safe, and durable as reasonably expected having regard to the relevant circumstances; however, except that there is no such undertaking (i) as regards defects specifically drawn to the buyer's attention before the contract is made; (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract for sale by sample, as regards defects which would have been apparent on a reasonable examination of the sample.

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)

We advertise and describe the functions of our products on the advertisement. As such, we are subject to the Trade Descriptions Ordinance. The Trade Descriptions Ordinance prohibits false trade description, false, misleading or incomplete information in respect of goods offered in the course of trade.

Section 2 of the Trade Descriptions Ordinance provides that a trade description in relation to goods (including, among others, fitness for purpose, performance and manufacturing details) which is false to a material degree; or though not false, is misleading, that is to say, likely to be taken for a trade description of a kind that would be false to a material degree, would be regarded as false trade description.

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

Sections 13E, 13F, 13G, 13H and 13I of the Trade Descriptions Ordinance provide that a trader commits an offence if the trader engages, in relation to a consumer, in a commercial practice that is a misleading omission or is aggressive, or that constitutes bait advertising, a bait and switch or wrongly accepting payment for a product.

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A person who commits an offence under sections 7, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for five years, and on summary conviction, to a fine at HK\$100,000 and to imprisonment for two years. However, the Trade Descriptions Ordinance also provides regulators with the ability to accept (and publish) written undertakings from businesses and individuals not to continue, repeat or engage in unfair trade practices in return of which regulator will not commence or continue investigations or proceedings relating to that matter. Regulators will also be empowered to seek an injunction against businesses and persons engaging in unfair trade practices or who have breached an undertaking.

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)

In the course of our business, our Group has accumulated customers' personal data by virtue of our loyalty programme. As such, our Group is regulated by the Personal Data (Privacy) Ordinance. The Personal Data (Privacy) Ordinance aims to protect the privacy of individuals in relation to personal data which covers any data relating directly or indirectly to a living individual (data subject), from which it is practicable to ascertain the identity of the individual and which are in a form in which access to or processing of the data is practicable. It applies to a data user, i.e. any person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of personal data.

During the course of our business, we collect the personal data of our clients for the purpose of operating the VIP membership scheme. As such, we must comply with the Data Protection Principles of the Personal Data (Privacy) Ordinance, which are:

Principle 1 — Purpose and manner of collection. This provides for the lawful and fair collection of personal data and sets out the information a data user must give to a data subject when collecting personal data from that subject.

Principle 2 — Accuracy and duration of retention. This provides that personal data should be accurate, up-to-date and kept no longer than necessary.

Principle 3 — Use of personal data. This provides that unless the data subject gives consent otherwise personal data should be used for the purposes for which they were collected or a directly related purpose.

Principle 4 — Security of personal data. This requires appropriate security measures to be applied to personal data (including data in a form in which access to or processing of the data is not practicable).

Principle 5 — Information to be generally available. This provides for openness by data users about the kinds of personal data they hold and the main purposes for which personal data are used.

Principle 6 — Access to personal data. This provides for data subjects to have rights of access to and correction of their personal data.

Other Laws and Regulations in relation to Our Business

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

The Inland Revenue Ordinance is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, among others, that persons, which include corporations, partnerships, trustees and bodies of person, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits from the date of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is at 16.5%. The Inland Revenue Ordinance also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation. As our Group carry out business in Hong Kong, we are subject to the profits tax regime under the Inland Revenue Ordinance.

Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance, taking full effect on 14 December 2015, prohibits conducts that prevent, restrict or distort competition in Hong Kong and prohibits mergers that substantially lessen competition in Hong Kong. It provides for general prohibitions in three major areas of anti-competitive conduct described as the first conduct rule, the second conduct rule and the merger rule.

The first conduct rule prohibits agreements, concerted practices and decisions that restrict competition. Agreements between competitors to fix prices, to share markets, to restrict output or to rig bids are agreements which the Competition Commission considers to have the object of harming competition.

The second conduct rule prohibits the abuse of market power. It applies where (a) the entity engaged in the relevant conduct is an undertaking; (b) this undertaking has a substantial degree of market power in a market; and (c) the undertaking abuses its substantial degree of market power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong.

The first conduct rule and the second rule apply to all sectors of the Hong Kong economy, including the retail functional lingerie market. Therefore, our Group is subject to Competition Ordinance generally.

The merger rule under the Competition Ordinance prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong. Currently, the merger rule only applies to mergers involving carrier licence holders within the meaning of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

In the event of contravention of a competition rule, the Competition Tribunal may (a) on application by the Competition Commission, impose pecuniary penalty of any amount it considers appropriate subject to a maximum of 10% of the turnover of the undertaking concerned for each year in which the contravention occurred for each single contravention (if the contravention occurred in more than three years, 10% of the turnover of the undertaking for the three years that

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saw the highest, second highest and third highest turnover); (b) on application by the Competition Commission, make an order disqualifying a person from being a director of a company or from other wise being concerned in the affairs of a company; (c) make orders it considers appropriate, including but not limited to prohibiting an entity from making or giving effect to an agreement, requiring modification or termination of an agreement, requiring payment of damages to a person who has suffered loss or damage as a result of the contravention.

Laws and Regulations in relation to Environmental Protection

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

Our business operations create solid waste during the production process in our factory, as such we are subject to Waste Disposal Ordinance. Section 16 of the Waste Disposal Ordinance prohibits unauthorised disposal of waste. Any person who commits an offence under section 16 is liable to a maximum fine of HK\$200,000 and to imprisonment for six months.

Our Directors confirm that there were no events or circumstances which had led to or might lead to our Group violated the above mentioned laws and regulations applicable in Hong Kong in material respects during the Track Record Period and up to the Latest Practicable Date.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATIONS IN THE PRC

The following is a summary of certain major laws and regulations relating to the business operations of our Group within the territory of the PRC.

Laws and Regulations relating to Foreign Investment Industries

Any investments conducted by the foreign investors in the PRC shall be subject to the *Catalogue for the Guidance of Foreign Investment Industries* 《外商投資產業指導目錄》(the “**Guidance Catalogue**”), the latest version of which was promulgated by the MOFCOM and the National Development and Reform Commission on 10 March 2015 and came into effect on 10 April 2015. The Guidance Catalogue was divided into “the Encouraged Foreign Investment Industries”, “the Restricted Foreign Investment Industries” and “the Prohibited Foreign Investment Industries”. Industries which are not listed in the Guidance Catalogue shall be classified as “the Permitted Foreign Investment Industries”.

The incorporation, operation and management of a company in the PRC shall be subject to the *Company Law of the PRC* 《中華人民共和國公司法》 (the “**Company Law**”) which was promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on 29 December 1993, and became effective on 1 July 1994. It was amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively. A foreign invested company is subject to the Company Law, unless otherwise specified by the foreign investment laws, such as the Wholly Foreign Owned Enterprises Law of the PRC 《中華人民共和國外資企業法》, which was promulgated by the SCNPC on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, respectively, and the *Implementation Rules of the PRC Laws on Wholly Foreign Owned Enterprises* 《中華人民共和國外資企業法實施細則》, which was promulgated by the State Council on 12 December 1990 and revised on 12 April 2001 and 19 February 2014, respectively.

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Pursuant to the Provisions for the Alteration of Investors' Equities in Foreign-funded Enterprises 《外商投資企業投資者股權變更的若干規定》, which came into effect on 28 May 1997, alteration of equities by an investor in foreign-funded enterprises shall abide by the Provisions, and be approved by approval departments and submitted for alteration registration with registration departments. Alteration of equities without approval from approval departments shall be invalid. The department to approve the alteration of the equities by an investor in the enterprise shall be the approval department that has approved the establishment of that enterprise. The enterprise shall submit the following documents to approval departments: (1) application for alteration of equities of investors in the enterprise; (2) the original contracts and articles of association of the enterprise and agreements on their revision; (3) duplicates of certificates of approval for the establishment of the enterprise and business licences; (4) resolutions of the board of directors of the enterprise on the alteration of equities of investors; (5) list of members on the board of directors after alteration of equities of investors in the enterprise; (6) agreement on equity transfer reached between the transferor and the transferee and signed or confirmed in other written form by other investors; (7) other documents required by approval departments.

According to the *Wholly Foreign Owned Enterprises Law of the PRC (2016 Amendment)* 《中華人民共和國外資企業法》(2016修正), a wholly foreign-owned enterprise whose formation does not involve the implementation of special access management measures as prescribed by the state, its establishment, operation duration and extension, separation, merger or other major changes shall be subject to record-filing. On 8 October 2016, the MOFCOM issued the *Interim Measures for Record-Filing Administration of the Establishment and Change of Foreign-Invested Enterprises* 《外商投資企業設立及變更備案管理暫行辦法》, pursuant to which, the establishment and modifications of foreign-invested enterprises which are not subject to the approval under the special entry management measures shall be filed with the delegated commercial authorities.

Our PRC Legal Advisers are of the opinion that based on the business licences of our PRC subsidiaries, the business engaged by our PRC subsidiaries is classified as a project where foreign investment is permitted. Being the foreign-funded enterprises, starting from 8 October 2016, alteration of equities of our PRC subsidiaries shall be subject to the Interim Measures for Record-Filing Administration of the Establishment and Change of Foreign-Invested Enterprises.

Laws and Regulations Relating to Foreign Investment in Commercial Fields

The principal legal provisions governing foreign investment in the commercial sector are set out in the *Measures for Administration on Foreign Investment in Commercial Fields* 《外商投資商業領域管理辦法》(the “**Measures of Administration**”) which were promulgated on 16 April 2004, came into effect on 1 June 2004 and amended on 28 October 2015 and abolished by the MOC on 3 November 2016. Pursuant to the Measures of Administration, foreign investors are permitted to engage in the operation of distribution services on a wholly foreign-owned basis. Foreign-invested commercial enterprises can undertake the following business activities:

- (i) commission agency: agents, brokers, auctioneers or other wholesalers of goods who sell goods owned by others and provide relevant attachment services through the collection of fees on the basis of contract;
- (ii) wholesale: the selling of goods to retailers, customers of industry, commerce and organisations, or to other wholesalers or providing relevant auxiliary services;

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- (iii) retail: the selling of goods for consumption and use by individuals or groups or providing relevant attachment services in fixed places or through television, telephone, mail order, internet, and automats; and
- (iv) franchising: vesting other people with the right of use of a given trademark, trade firm or mode of management through the signing of a contract in order to collect remunerations or franchising fees.

Foreign investors can apply to set up both commercial enterprises and stores at the same time in accordance with certain procedures and guidelines set out in the Measures of Administration. The procedures for establishing a foreign-invested commercial enterprise involve the submission of an application, including a project proposal, feasibility study and other required documents, to the relevant provincial commerce department or the MOFCOM for approval.

Pursuant to the *Notice of the Ministry of Commerce on Transferring Approval Rights of Foreign-invested Commercial Enterprises* 《商務部關於下放外商投資商業企業審批事項的通知》 issued by the MOFCOM on 12 September 2008, the provincial commerce department of the MOFCOM shall be the approval authority of the establishment and modification of foreign-invested commercial enterprises, except for those that engage in sales by television, telephone, mail order, internet, or vending machine, those that engage in the wholesale of audiovisual products and those that engage in the sale of books, newspapers and magazines.

The “Measures of Administration” and the supplementary provision was abolished by the MOC on 3 November 2016.

Being the foreign investment enterprises, our PRC subsidiaries shall be subject to the aforementioned laws and regulations on foreign investment enterprises. In particular, one of our PRC subsidiaries, namely Xin Xin, was established as a Foreign-invested commercial enterprises. In addition to compliance with laws and regulations on foreign investment enterprises, it shall observe the “Measures of Administration” and the supplementary provisions prior to 3 November 2016 as well.

Laws and Regulations relating to Product Quality and Consumer Protection

Product Quality

Pursuant to the *Product Quality Law of the PRC* 《中華人民共和國產品質量法》, which was promulgated on 22 February 1993, became effective on 1 September 1993, and was subsequently amended on 8 July 2000 and 27 August 2009, producers are liable for the quality of the products they produce. Where anyone produces or sells products that do not comply with the relevant national or industrial standards safeguarding the health and safety of persons and property, the relevant authority will order such person or entity to suspend the production or sales, confiscate the products, impose a fine of an amount higher than the value of the products and less than three times of the value of the products, confiscate illegal gains (if any) as well as revoke the business licence in severe cases. Where the activities constitute a crime, the offender will be prosecuted.

Product Liabilities

Manufacturers and distributors of defective products in the PRC may incur liability for losses and injuries caused by such products. Under the *Law on the Protection of Consumer Rights and Interests of the PRC* 《中華人民共和國消費者權益保護法》, which was promulgated on 31 October 1993, became effective on 1 January 1994 and was amended on 27 August 2009 and 25 October 2013, the manufacturers and distributors will be held liable for losses and damages suffered by consumers caused by the defective products manufactured or distributed by them.

Liability for Tort

The *PRC Tort Law* 《中華人民共和國侵權責任法》(the “**Tort Law**”) adopted by the SCNPC on 26 December 2009 and became effective on 1 July 2010. The Tort Law stipulates tort liabilities relating to, among other things, products, motor vehicle traffic accidents, medical treatment, environmental pollution and high risk operations. Under the Tort Law, where any harm is caused by a defective product, the victim may require compensation from the manufacturer of the product or the seller of the product. If the defect of the product is caused by the manufacturer, and the seller has made the compensation for the defect, the seller shall be entitled to be reimbursed by the manufacturer. If the defect of the product is caused by the fault of the seller, and the manufacturer has made the compensation for the defect, the manufacturer shall be entitled to be reimbursed by the seller.

Our PRC subsidiaries are engaging in production and marketing activities within the territory of the PRC, they are responsible for the product quality. Under the above-mentioned laws and regulations, it is required to ensure that the products which they produce and sell meet the requirements for safeguarding human health and ensuring human and property safety. Failing to do so will lead to a series of penalties, including the suspension of production and sale, confiscation of the products and earnings, imposition of fines, revocation of business licences, and/or even criminal liabilities. In addition, if the products cause personal injuries or other form of torts, lawsuits and liabilities in tort would be brought in.

Laws and Regulations relating to Personal Information Protection

Pursuant to the Tort Law, anyone who infringes on other persons’ rights associated with his/her name or privacy should undertake tortuous liabilities.

The *Guidelines for Personal Information Protection in Information Safety Technology Public and Commercial Service Information System* 《信息安全技術公共及商用服務信息系統個人信息保護指南》, which became effective on 1 February 2013, applies to any organisations and entities other than government agencies responsible for public administration as a technical instruction instead of a legally binding regulation. Pursuant to the guidelines, personal information comprises sensitive personal information and general personal information. The term of sensitive personal information refers to the information once revealed or modified may have a negative effect on the subject of the information, such as identity number, mobile phone number, race, political viewpoint, religious belief, genes and fingerprint, etc. Other information can be deemed as general personal information. The sensitive personal information of each industry shall be determined according to the willingness of the subject accepting services and the respective industry

characters. The sensitive personal information cannot be collected or used without the expressed authorisation of the subject, while the general personal information can be utilised based on the tacit consent of the subject.

Our PRC subsidiaries shall, when collecting and using the customers' personal information in the process of providing services, adhere to the principles of legality, propriety and necessity, and shall be responsible for the security of the customers' personal information collected by them in the process of providing services.

Laws and Regulations Relating to Anti-Unfair Competition

The principal legal provisions governing market competition are set out in the *Anti-Unfair Competition Law of the PRC* 《中華人民共和國反不正當競爭法》, which was promulgated on 2 September 1993 and came into effect on 1 December 1993.

The Anti-Unfair Competition Law of the PRC provides that business operators shall not undermine their competitors by engaging in any of the following improper market activities:

- (i) passing off the registered trademarks of others;
- (ii) using, without authorisation, the names, packaging or decoration peculiar to well-known goods or using names, packaging or decoration similar to those of well-known goods so that their goods are confused with the well-known goods of others, causing buyers to mistake them for the well-known goods of others;
- (iii) using, without authorisation, the enterprise names or personal names of others on their own goods, leading purchasers to mistaken them for the goods of others; and
- (iv) forging or falsely using, on their goods, symbols of quality such as symbols of authentication and symbols of famous and high-quality goods, falsifying the origin of their goods, and making false representations which are misleading as to the quality of the goods.

Any operator who commits any of the illegitimate acts listed in the Anti-Unfair Competition Law shall be ordered to desist from the illegal act, dispel the bad influence or compensate for the damages of the injured party, his illegal gains shall be confiscated and he may also be fined; if the circumstances are serious, his business licence shall be revoked or even he shall be prosecuted for his criminal responsibility.

Our PRC subsidiaries shall abide by the principle of voluntariness, equality, impartiality, honesty and good faith, and also adhere to public commercial moral in their business transactions. They shall not use the unfair methods in their business transactions which can damage other competitors.

Laws and Regulations Relating to Issuance of Prepaid Member Vouchers in the PRC

The issuance of prepaid membership cards in the PRC by enterprises engaging in the business of retail, accommodation and catering, and residential services are subject to the *Administrative Measures on Single-Purpose Commercial Prepaid Card (Trial)* (《單用途商業預付卡管理辦法(試行)》), which became effective on 1 November 2012 and was amended on 18 August 2016. The Administrative Measures on Single-Purpose Commercial Prepaid Card (Trial) set forth specific provisions on issues such as card purchase agreements, period of validity of the card, confidential information and card return. A card issuer shall file with the competent authority and shall provide activation, replacement and other supporting services for the cards that are expired but have fund balance. In the event of any material violation, the issuer may be ordered by the authority to rectify the non-compliance within a prescribed time limit, and if the issuer fails to do so, it shall be imposed upon a fine ranging from RMB10,000 to RMB30,000.

Laws and Regulations relating to Trademark

We have submitted trademark applications with the Trademark Bureau of the State Administration of Industry and Commerce (the “**Trademark Bureau**”) for the intended trademarks in relation to our business operation in PRC.

Pursuant to the *Trademark Law of the PRC* 《中華人民共和國商標法》(the “**Trademark Law**”), which was amended on 30 August 2013 and with effect on 1 May 2014, the right to exclusive use of a registered trademark shall be limited to the trademark which has been registered and to commodities on which the use of a trademark has been approved. The period of validity of a registered trademark shall be ten years commencing from the day the registration is approved. If a registrant needs to continue to use the registered trademark after the period of validity, an application for renewal of registration shall be made within 12 months before the expiration. The period of validity for each renewal of registration shall be 10 years.

According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorisation of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. Where a dispute arises from infringing upon the exclusive rights of the registrant of a registered trademark, the parties involved shall settle the dispute through negotiation. If any party refuses to negotiate or the negotiation has failed, the registrant of the registered trademark or the interested parties may bring a suit before a people’s court or request the Administration for Industry and Commerce to handle the issue.

The registrant of a registered trademark may licence others to use its registered trademark through the trademark licence agreement. The licensor shall supervise the quality of the goods in respect of which the licensee uses his registered trademark, and the licensee shall assure the quality of the goods in respect of which he uses the registered trademark. Where the registered trademark is licenced, the name of the licensee and manufacturing location shall be indicated on the product with the licenced registered trademark. The trademark licence agreement shall be filed with the State Trademark Office for record.

Laws and Regulations relating to Patent

Pursuant to the Patent Law of the PRC 《中華人民共和國專利法》 (the “**Patent Law**”) which was promulgated on 12 March 1984 and came into effect on 1 April 1985 and was subsequently amended on 4 September 1992, 25 August 2000 and 27 December 2008, respectively, patent protection is divided into three categories: invention patent, utility model patent and design patent. According to the Patent Law of the PRC, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorisation of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

One of our subsidiaries, namely My Heart Lingerie, has obtained two design patent right in the PRC, and the duration of the patent for the design is 10 years, counted from the date of application on 5 November 2015 and 28 October 2016, respectively.

Laws and Regulations relating to Production Safety

The *Production Safety Law of the PRC* 《中華人民共和國安全生產法》 (the “**Production Safety Law**”), which was promulgated by the SCNPC on 29 June 2002, and became effective on 1 November 2002 and amended on 27 August 2009 and 31 August 2014 respectively, requires production entities to meet the relevant legal requirements, such as providing their staff with training and handbooks on production safety, and providing safe working conditions in compliance with relevant laws, rules and regulations.

One of our PRC subsidiaries, namely Hua Xin Si, engages in lingerie production. We shall provide safety production conditions and work safety education and training to our employees to ensure work safety.

Laws and Regulations relating to Labour, Social Insurance and Housing Provident

In accordance with the *Labour Contract Law of the PRC* 《中華人民共和國勞動合同法》 (the “**Labour Contract law**”) effective from 1 January 2008 and amended on 28 December 2012, and the *Implementations Regulations of the PRC Labour Contract Law* 《中華人民共和國勞動合同法實施條例》, a labour contract shall be concluded when a labour relationship is to be established between the employer and the employees. When hiring the employees, the employer shall faithfully notify them of the job contents, conditions and place, occupational harm, work safety status, remuneration and other information as requested by the employees. The employer and employees shall fully perform their respective obligations in accordance with the provisions stipulated in the labour contracts. The employer shall pay the employees the full amount of remunerations in a timely manner in accordance with the contractual stipulations and the provisions. The employer shall strictly adhere to the specific work quotas, and may not compel any employee to work overtime. Upon revocation or termination of a labour contract, the employer

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shall provide for the employees sufficient proof in support of such revocation or termination, and complete the filing formalities and the transfer of the employees' social insurance within 15 days thereafter.

In accordance with the *Social Insurance Law of the PRC* 《中華人民共和國社會保險法》(the “**Social Insurance Law**”) effective from 1 July 2011, employers in the PRC must register with the relevant social insurance authority and make contributions to the pension insurance fund, basic medical insurance fund, unemployment insurance fund, maternity insurance fund and work-related injury insurance fund. Pursuant to the Social Insurance Law, pension insurance, basic medical insurance and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf of the employees. Employers who fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall within the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day it is overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times the unpaid amount owed to the relevant administrative agency.

Pursuant to the *Regulations on the Administration of Housing Provident Fund* 《住房公積金管理條例》 effective on 3 April 1999, and amended on 24 March 2002, an employer (including a foreign invested company) shall undertake the registration with the administrative centre of housing provident funds and pay the funds for their staff. If an employer, in violation of the aforesaid regulations, fails to undertake registration or to open the housing provident funds account for its employees, the administrative centre of housing provident funds will impose an order for completion within prescribed time limit. If such employer further fails to process within the aforesaid time limit, a fine ranging from RMB10,000 to RMB50,000 will be imposed. Furthermore, if an employer, in violation of the aforesaid regulations, fails to pay or to fully pay the housing provident funds, the administrative centre of housing provident funds will impose an order for payment within a prescribed time limit, and if such employer further fails to make payment within the aforesaid time limit, the centre shall have the right to apply for compulsory enforcement in court.

Our PRC subsidiaries shall comply with the aforesaid laws and regulations relating to labour and social insurance. They shall sign the written labour contract with all the employees, register with the relevant local social insurance agency and the housing accumulation fund management centre, and make social insurance contributions and the housing accumulation fund in full for the employees as required.

Laws and Regulations relating to Taxation

Under the current PRC tax laws and regulations, our PRC subsidiaries shall be subject to the enterprise income taxes and value-added tax on the basis of their respective business activities, and the foreign investor of the PRC subsidiaries shall be subject to the withholding tax for the profits therefrom. Indirect transfer of the PRC subsidiaries' equity interest by their overseas holding companies may incur imposition of enterprise income tax on the transferor.

Enterprise Income tax

According to the *Enterprise Income Tax Law of the PRC* 《中華人民共和國企業所得稅法》(the “EIT Law”) effective from 1 January 2008 and amended on 24 February 2017, the income tax rate of 25% shall be applied towards all the enterprises including foreign-invested enterprises.

For non-resident enterprises without any organisations or establishments within the PRC, or with organisations or establishments within the PRC but their income is not actually related to such organisations or establishments, they shall pay enterprise income tax on their income derived from within the PRC at the applicable tax rate of 20%. However, in accordance with the *Implementation Regulations of Enterprise Income Tax Law of the PRC* 《中華人民共和國企業所得稅法實施條例》 effective from 1 January 2008, income earned by non-resident enterprises are subject to a reduced enterprise income tax rate of 10%.

In accordance with the *Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Income* 《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》 effective from 1 January 2007, if a Hong Kong enterprise owns at least 25% of the capital of a PRC enterprise, the dividends paid by the PRC enterprise to the Hong Kong enterprise are subject to a withholding tax of no more than 5%.

Dividend Tax

In accordance with the *Notice on Issues Relevant to the Implementation of Dividend Provisions in Tax Treaties* 《關於執行稅收協定股息條款有關問題的通知》 issued by the State Administration of Taxation on 20 February 2009, to enjoy the benefits offered by tax treaties, the proportion of interest in the PRC resident enterprise directly owned by the tax resident at any time during the 12-month period prior to the receipt of dividends shall remain compliant with that provided in the tax treaties.

Value-Added Tax

Pursuant to the *Interim Regulations on Value-Added Tax of the PRC* 《中華人民共和國增值稅暫行條例》, which was enacted by the State Council on 13 December 1993 and amended on 5 November 2008 and 6 February 2016 respectively and its Detailed Implementation Rules on the *Interim Regulations on Value-Added Tax of the PRC* 《中華人民共和國增值稅暫行條例實施細則》 issued by the Ministry of Finance and State Administration of Taxation on 15 December 2008 and

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amended on 28 October 2011, all enterprises and individuals engaged in the sales of goods, provision of processing, repairing and replacement services, and the importation of goods within the PRC shall be taxpayers of the value-added tax (the “VAT”) and shall pay VAT.

Tax for Overseas Indirect Transfer of PRC Equity Interests

On 10 December 2009, the SAT issued the *Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer* 《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》(the “Circular 698”), which retrospectively became effective on 1 January 2008. The Circular 698 clarified how the capital gains should be calculated regarding the direct or indirect equity transfer of a resident enterprise by non-resident enterprises.

On 3 February 2015, the SAT issued the *Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-PRC Resident Enterprises* 《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》(the “Circular 7”), which replaced certain provisions of Circular 698. According to the Circular 7, where a non-resident enterprise indirectly transfer equities and other properties of a Chinese resident enterprise to evade its obligation of paying enterprise income tax by implementing arrangements that are not for bona fide commercial purpose, such indirect transfer shall, in accordance with the provisions of Article 47 of the EIT Law, be re-identified and recognised as a direct transfer of equities and other properties of the Chinese resident enterprise.

According to Circular 7, the relevant indirect transfer should be considered on a case-by-case basis taking into account the entire arrangements in respect thereof when determining whether there is a reasonable commercial purpose in such transfer. Under Circular 7, the parties involved in the transaction may report such share transfer to the relevant PRC tax authority on a voluntary basis. However, such parties are obliged to provide necessary information and documents relating to the transaction upon request of the PRC tax authority.

Laws and Regulations relating to Environmental Protection

According to the *Environmental Protection Law of the PRC* 《中華人民共和國環境保護法》, which was promulgated and became effective on 26 December 1989 and amended on 24 April 2014, entities that cause environmental pollution and other public hazards must incorporate environmental protection work into their plans, establish an environmental protection responsibility system, and adopt effective measures to prevent and control pollution and other environmental harms caused by waste gases, wastewater, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of the production, construction or other activities. In addition, entities that discharge pollutants must register with the relevant environmental protection authorities.

On 29 November 1998, the State Council promulgated the *Regulations on the Administration of Environmental Protection of Construction Project* 《建設項目環境保護管理條例》. On 28 October 2002, the SCNPC approved the *Law on Appraising of Environment Impact of the PRC* 《中華人民共和國環境影響評價法》, which became effective on 1 September 2003 and amended on 2 July 2016. According to the aforesaid laws, the construction units responsible for the construction projects must submit corresponding environmental impact appraisal documents to the relevant administrative departments of environmental protection for examination and approval and

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obtain approvals from such administrative departments of environmental protection before they commence construction. Environmental protection facilities shall be designed, built and commissioned together with the whole construction project. No permission shall be given for a construction project to be commissioned until its environmental protection facilities have been examined and assessed and determined to be up to standard by the relevant department of the environmental protection administration that is responsible for examining and approving the environmental impact statement of the applicant.

To alleviate or prevent environmental pollution derived from production activities, all the PRC manufacture enterprises including our PRC subsidiary (namely Hua Xin Si) shall comply with a variety of laws and regulations on environmental protection.

Laws and Regulations relating to Foreign Exchange

The *Regulations on Foreign Exchange Administration of the PRC* 《中華人民共和國外匯管理條例》 (the “**Foreign Exchange Regulation**”) and various regulations which issued by the State Administration of Foreign Exchange of the PRC (the “**SAFE**”) contains detailed provisions in relation to foreign exchange administration. According to the Foreign Exchange Regulation, the retaining or selling of the foreign exchange earnings obtained from capital account shall be subject to the approval of foreign exchange authorities. Enterprises within the PRC which need foreign exchange for their ordinary trading and non-trading activities, import activities and repayment of foreign debts may purchase foreign exchange from designated banks if the application is supported by the relevant documents. Furthermore, foreign invested enterprises may distribute profit to their foreign investors with funds in their foreign exchange bank accounts kept with designated banks.

Due to the foreign exchange control policy of the PRC, cross border money transactions of our PRC subsidiaries in their business activities and dividend distribution to the foreign investor of the PRC subsidiaries shall comply with various administration of foreign exchange in PRC.

Laws and Regulations relating to Foreign Trade and Customs

The *Foreign Trade Law of the PRC* 《中華人民共和國對外貿易法》 was adopted by SCNPC on 12 May 1994, and was amended by the SCNPC on 6 April 2004 and 7 November 2016 respectively, which states that any foreign trade business operator that is engaged in the import and export of goods or technology shall be registered for archival purposes with the administrative department of foreign trade of the State Council or the institution entrusted thereby. Where any foreign trade business operator fails to file for archival registration according to relevant provisions, the customs authority shall not handle the procedures of customs declarations and release of the import or export goods.

The *Customs Law of the PRC* 《中華人民共和國海關法》 was adopted by the SCNPC on 22 January 1987, and was revised by the SCNPC on 8 July 2000, 29 June 2013, 28 December 2013 and 7 November 2016 respectively. The Customs Law of the PRC provides that all import goods and export goods shall be subject to customs control, and shall be declared and paid by their sender or receiver or by representatives entrusted by the sender or receiver and approved by and registered with the customs authority. The receiver of import goods and the sender of export goods shall make an accurate declaration and submit the import or export licence and relevant papers to

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the customs authority for examination. Enterprises engaged in the processing trade shall file an approval document and a processing contract at the customs authority. The finished products of a processing trade shall be re-exported within the stipulated time limit.

The Administrative Provisions for the Registration of Customs Declaration Agents by the PRC Customs Authorities 《中華人民共和國海關報關單位註冊登記管理規定》 was promulgated on and effective from 13 March 2014, as one type of declaration agents, “consignor or consignee of export or import goods” used in it means any legal person, other organisation or individual that directly imports or exports goods within the territory of the PRC. Consignors and consignees of import and export goods shall go through declaration agent registration formalities with their local customs authorities in accordance with the applicable provisions. After going through the registration formalities with customs authorities, consignors and consignees of import and export goods may handle their own declarations at any customs port or any locality where customs supervisory affairs are concentrated within the customs territory of the PRC. Unless otherwise specified by the Customs, a Certificate of Registration of the Customs of the PRC for Customs Declaration Entities issued to a consignee or consignor of imported/exported goods is valid permanently.

One of our PRC subsidiaries, Hua Xin Si, had already registered for archival purposes with the administrative department of foreign trade of the State Council or the institution entrusted thereby as required, and had already registered with the relevant department and obtained the Certificate of Registration of the Customs of the PRC for Customs Declaration Entities issued to a consignee or consignor of imported/exported goods.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our business can be traced back to 2003 when My Heart Lingerie, our first major operating subsidiary, was established by Ms. Wong and Mr. Ma Wah Bong, both of whom are Independent Third Parties, to carry on the business in retailing of lingerie with shaping functions in Hong Kong. Mr. Chan and Mr. Yiu, our Controlling Shareholders, joined our Group as the directors of My Heart Lingerie in October 2011 and acquired, through Winterchase, 90% shareholding interests of My Heart Lingerie from Ms. Wong in May 2012 with their personal funds. In January 2016, Winterchase completed the acquisition of the remaining interests in My Heart Lingerie.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 May 2016. Upon completion of a series of share transfers under the Reorganisation as detailed in “— Reorganisation” below, our Company became the ultimate holding company of our Group for the purpose of the Listing and holds the entire interests of six subsidiaries, namely Wish Enterprise, My Heart Lingerie, Xin Xin, Glory Unique, My Heart Factory and Hua Xin Si.

Over the years, we have grown to a leading retailer of lingerie with shaping functions in Hong Kong. In 2005, we established our first production facility in Hong Kong and we established our second production facility in the PRC in 2010. In 2015, we expanded our retail network to the PRC.

The following sets forth our development milestones since the inception of our business:

Year	Event
2003	My Heart Lingerie was established to carry on the retail business of lingerie with shaping functions in Hong Kong Our first core brand and our first trademark “ <i>My Heart</i> ” was established and registered
2005	Our second operating subsidiary, My Heart Factory, and our first factory were established in Hong Kong
2008	We registered the trademark “BOD Y bra” which is now our core brand We established our loyalty programme
2011	Our second factory was established in Shenzhen, the PRC
2015	We expanded our retail network to the PRC

CORPORATE HISTORY

The following sets out the development history of each of our operating subsidiaries.

(1) My Heart Lingerie

My Heart Lingerie, our first operating subsidiary, was incorporated in Hong Kong on 20 August 2003 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same date, 99 shares and one share were allotted and issued to Ms. Wong and Mr. Ma Wah Bong, respectively. Both Ms. Wong and Mr. Ma Wah Bong are Independent Third Parties. During the same year, My Heart Lingerie commenced its business in the retailing of lingerie with shaping functions in Hong Kong. Since the date of its incorporation and up to the Latest Practicable Date, there has been no change in the issued share capital of My Heart Lingerie.

After a series of transfer of shares, My Heart Lingerie was wholly-owned by Ms. Wong prior to the first acquisition of its shares by Winterchase. On 9 May 2012, in anticipation of the potential growth in the functional lingerie market in Hong Kong, Mr. Chan and Mr. Yiu, our Controlling Shareholders, through Winterchase, completed the acquisition of 90 shares of My Heart Lingerie from Ms. Wong at a consideration of HK\$90, which was the par value of the shares, with reference to the loss making and net liabilities position of My Heart Lingerie as at 31 March 2012, with their personal funds and the share transfer was legally completed on the same date. Immediately following completion of the aforesaid share transfer, My Heart Lingerie was owned as to 90% and 10% by Winterchase and Ms. Wong, respectively. Subsequent to such share transfer, Ms. Wong gradually reduced her involvement in the operation and management of My Heart Lingerie and she finally resigned as a director of My Heart Lingerie in February 2015 due to her own decision. Since her resignation, she had no further relationship with and involvement in our Group. During the period from around June 2013 until the date of her resignation as director of My Heart Lingerie, she only acted as a salesperson and was not involved in any management role of our Group. Upon her cessation in the management in our Group in around June 2013, no replacement was made by our Group to replace her management position.

On 27 November 2015, the trustee-in-bankruptcy of Ms. Wong as the vendor and Winterchase as the purchaser entered into a sale and purchase agreement, pursuant to which the trustee-in-bankruptcy of Ms. Wong agreed to, among others, sell 10 shares of My Heart Lingerie to Winterchase at the consideration of HK\$557,999, which was determined with reference to the valuation report of My Heart Lingerie as at 15 October 2015. The consideration was settled in cash by the personal funds of Mr. Chan and Mr. Yiu and the share transfer was legally completed on 21 January 2016. Since then and immediately prior to the Reorganisation, My Heart Lingerie was a wholly-owned subsidiary of Winterchase.

After the Reorganisation and as at the Latest Practicable Date, My Heart Lingerie was a direct wholly-owned subsidiary of Wish Enterprise, please refer to “— Reorganisation — (4) Transfer of shares of My Heart Lingerie to Wish Enterprise” below for further details.

(2) My Heart Factory

My Heart Factory, our second operating subsidiary, was incorporated in Hong Kong on 26 August 2005 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same day, one share was allotted and issued to My Heart Group Limited, a company which was owned by an Independent Third Party, at par. During the same year, My Heart Factory commenced its business and was principally engaged in the manufacture of lingerie and provision of lingerie alteration services in Hong Kong.

After a series of transfer of shares, the entire issued share capital of My Heart Factory was transferred to Ms. Wong on 13 March 2012. On the same date, in anticipation of the potential growth in the functional lingerie market in Hong Kong, Mr. Chan and Mr. Yiu, our Controlling Shareholders, through Winterchase, subscribed for four shares of My Heart Factory, representing 80% of the enlarged issued share capital of My Heart Factory, with their personal funds and the subscription was legally completed on the same date. Immediately following completion of the aforesaid subscription, My Heart Factory was owned as to 80% and 20% by Winterchase and Ms. Wong, respectively.

On 27 November 2015, the trustee-in-bankruptcy of Ms. Wong as the vendor and Winterchase as the purchaser entered into a sale and purchase agreement, pursuant to which the trustee-in-bankruptcy of Ms. Wong agreed to, among others, sell one share of My Heart Factory to Winterchase at the consideration of HK\$10,000, which was determined with reference to the valuation report of My Heart Factory as at 15 October 2015. The consideration was settled in cash by personal funds of Mr. Chan and Mr. Yiu, and the share transfer was legally completed on 21 January 2016. Since then and immediately prior to the Reorganisation, My Heart Factory was a wholly-owned subsidiary of Winterchase.

After the Reorganisation and as at the Latest Practicable Date, My Heart Factory was a direct wholly-owned subsidiary of Glory Unique, please refer to “— Reorganisation — (5) Transfer of shares of My Heart Factory to Glory Unique” below for further details.

(3) Hua Xin Si

Hua Xin Si was established in the PRC as a limited liability company on 20 November 2009 with a registered capital of RMB1,000,000, which was fully paid-up and funded by Ms. Wong. Hua Xin Si is principally engaged in the manufacture of lingerie with shaping functions in the PRC. At the date of establishment, Hua Xin Si was wholly-owned by Ms. Wong.

HISTORY, DEVELOPMENT AND REORGANISATION

On 6 August 2012, Ms. Wong entered into an equity transfer agreement with Mr. Chan and Mr. Yiu pursuant to which Ms. Wong agreed to transfer her 90% equity interest in Hua Xin Si in equal shares to Mr. Chan and Mr. Yiu at the aggregate consideration of RMB900,000, which was determined by parties to the equity transfer agreement based on the then registered capital of Hua Xin Si. Such transfer was approved by Shenzhen City Longgang District Economic Promotion Department* (深圳市龍崗區經濟促進局), a competent PRC government authority. After completion of the said share transfer on 29 September 2012, Hua Xin Si was owned as to 10%, 45% and 45% by Ms. Wong, Mr. Chan and Mr. Yiu, respectively.

On 1 December 2015, Ms. Wong entered into equity transfer agreements with each of Mr. Chan and Mr. Yiu pursuant to which Ms. Wong agreed to transfer 5% equity interest in Hua Xin Si to each of Mr. Chan and Mr. Yiu at a consideration of RMB32,500. The considerations were determined with reference to the net asset value of Hua Xin Si as at 31 December 2014. Such transfers had been approved by Shenzhen City Longgang District Economic Promotion Department* (深圳市龍崗區經濟促進局). After completion of the said share transfers on 17 February 2016, Hua Xin Si was owned as to 50% and 50% by Mr. Chan and Mr. Yiu, respectively.

On 30 June 2016, My Heart Factory entered into equity transfer agreements with each of Mr. Chan and Mr. Yiu pursuant to which Mr. Chan agreed to transfer 50% equity interest in Hua Xin Si to My Heart Factory and Mr. Yiu agreed to transfer 50% equity interest in Hua Xin Si to My Heart Factory. Such transfers had been approved by Shenzhen City Longgang District Economic Promotion Department. After completion of the said share transfers on 19 July 2016, Hua Xin Si was wholly owned by My Heart Factory.

After the Reorganisation and as at the Latest Practicable Date, Hua Xin Si is a wholly-owned subsidiary of My Heart Factory.

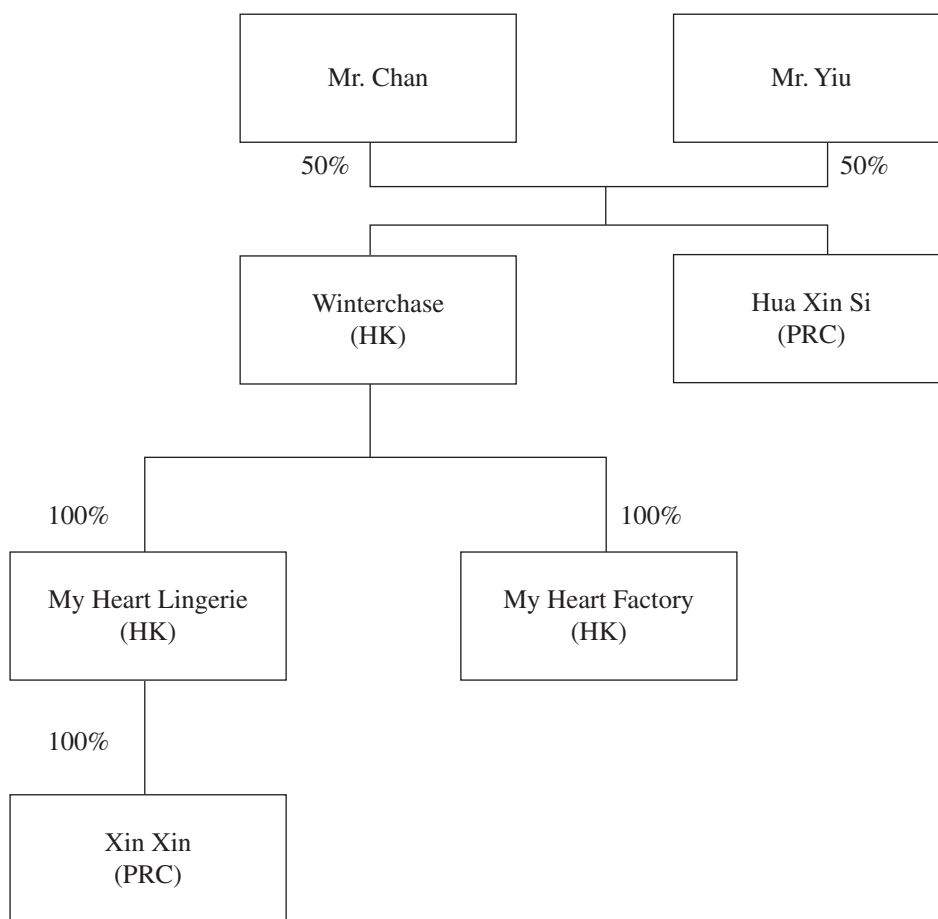
(4) Xin Xin

Xin Xin, our second operating subsidiary in the PRC, was established as a wholly foreign owned enterprise in the PRC with limited liability on 7 April 2015 with a registered capital of RMB1,000,000, of which RMB602,244 has been paid-up and funded by My Heart Lingerie. Since the date of its establishment and up to the Latest Practicable Date, Xin Xin had been wholly-owned by My Heart Lingerie. Xin Xin is principally engaged in the wholesale and retail of lingerie with shaping functions in the PRC and has been operating one retail store in Shenzhen and one retail store in Beijing since December 2015 and January 2017, respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

The following diagram sets out the corporate structure of our Group immediately before the Reorganisation:



Our Group completed the Reorganisation on 19 July 2016 in preparation for the Listing, pursuant to which our Company became the holding company of our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

The Reorganisation involved the following steps:

(1) Incorporation of Wish Enterprise

On 31 March 2016, Wish Enterprise was incorporated in the BVI with liability limited by shares. At the date of incorporation, Wish Enterprise is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 26 May 2016, one ordinary share of par value US\$1.00 was allotted and issued as fully-paid to Winterchase. After completion of the Reorganisation, Wish Enterprise became a direct wholly-owned subsidiary of our Company.

(2) Incorporation of Glory Unique

On 31 March 2016, Glory Unique was incorporated in the BVI with liability limited by shares. At the date of incorporation, Glory Unique is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 26 May 2016, one ordinary share of par value US\$1.00 was allotted and issued as fully-paid to Winterchase. After completion of the Reorganisation, Glory Unique became a direct wholly-owned subsidiary of our Company.

(3) Incorporation of our Company

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law on 27 May 2016 and was registered under Part 16 of the Companies Ordinance as a registered non-Hong Kong company on 12 July 2016. It had an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with par value of HK\$0.01 each. On 27 May 2016, one nil-paid subscriber Share was allotted and issued to Reid Services Limited, the initial subscriber to the memorandum of association of our Company, which was subsequently transferred to Global Succeed on the same date. As at the Latest Practicable Date, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with par value of HK\$0.01 each. Immediately following completion of the Reorganisation, our Company became the holding company of our Group and was wholly-owned by Global Succeed.

(4) Transfer of shares of My Heart Lingerie to Wish Enterprise

On 6 July 2016, Winterchase as vendor and Wish Enterprise as purchaser entered into a sale and purchase agreement, pursuant to which Wish Enterprise acquired 100 shares of My Heart Lingerie (representing the entire issued share capital of My Heart Lingerie) from Winterchase at the consideration of HK\$20,000,000 (which was determined with reference to the financial information of My Heart Lingerie as at 31 March 2016). The consideration was satisfied by the allotment and issue of one new ordinary share of Wish Enterprise, credited as fully paid, to Winterchase. After the completion of the transaction (which took place on 7 July 2016), the entire issued share capital of My Heart Lingerie is owned by Wish Enterprise.

(5) Transfer of shares of My Heart Factory to Glory Unique

On 6 July 2016, Winterchase as vendor and Glory Unique as purchaser entered into a sale and purchase agreement, pursuant to which Glory Unique acquired five shares of My Heart Factory (representing the entire issued share capital of My Heart Factory) from Winterchase at the consideration of HK\$1,000,000 (which was determined with reference to the financial information of My Heart Factory as at 31 March 2016). The consideration was satisfied by the allotment and issue of one new ordinary share of Glory Unique, credited as fully paid, to Winterchase. After the completion of the transaction (which took place on 7 July 2016), the entire issued share capital of My Heart Factory is owned by Glory Unique.

(6) Transfer of shares of Hua Xin Si to My Heart Factory

On 30 June 2016, Mr. Chan as vendor and My Heart Factory as purchaser entered into a sale and purchase agreement, pursuant to which My Heart Factory acquired 50% of the equity interest in Hua Xin Si from Mr. Chan at the consideration of RMB500,000 (which was determined with reference to the registered capital of Hua Xin Si).

On 30 June 2016, Mr. Yiu as vendor and My Heart Factory as purchaser entered into a sale and purchase agreement, pursuant to which My Heart Factory acquired 50% of the equity interest in Hua Xin Si from Mr. Yiu at the consideration of RMB500,000 (which was determined with reference to the registered capital of Hua Xin Si). Such transfer was approved by Shenzhen City Longgang District Economic Promotion Department*(深圳市龍崗區經濟促進局). The consideration has been satisfied by My Heart Factory in cash. After completion of the said share transfer on 19 July 2016, Hua Xin Si is wholly-owned by My Heart Factory.

(7) Transfer of shares of Wish Enterprise to our Company

On 18 July 2016, Winterchase as vendor and our Company as purchaser entered into a sale and purchase agreement, pursuant to which our Company acquired two ordinary shares of Wish Enterprise, representing the entire issued share capital of Wish Enterprise, from Winterchase. The consideration was satisfied by (a) our Company's allotment and issue of 4,999 Shares to Global Succeed (at the instructions of Winterchase), all credited as fully paid; and (b) crediting as fully paid at par the one nil-paid Share held by Global Succeed. After the completion of the transactions, all the issued shares of Wish Enterprise had been owned by our Company.

(8) Transfer of shares of Glory Unique to our Company

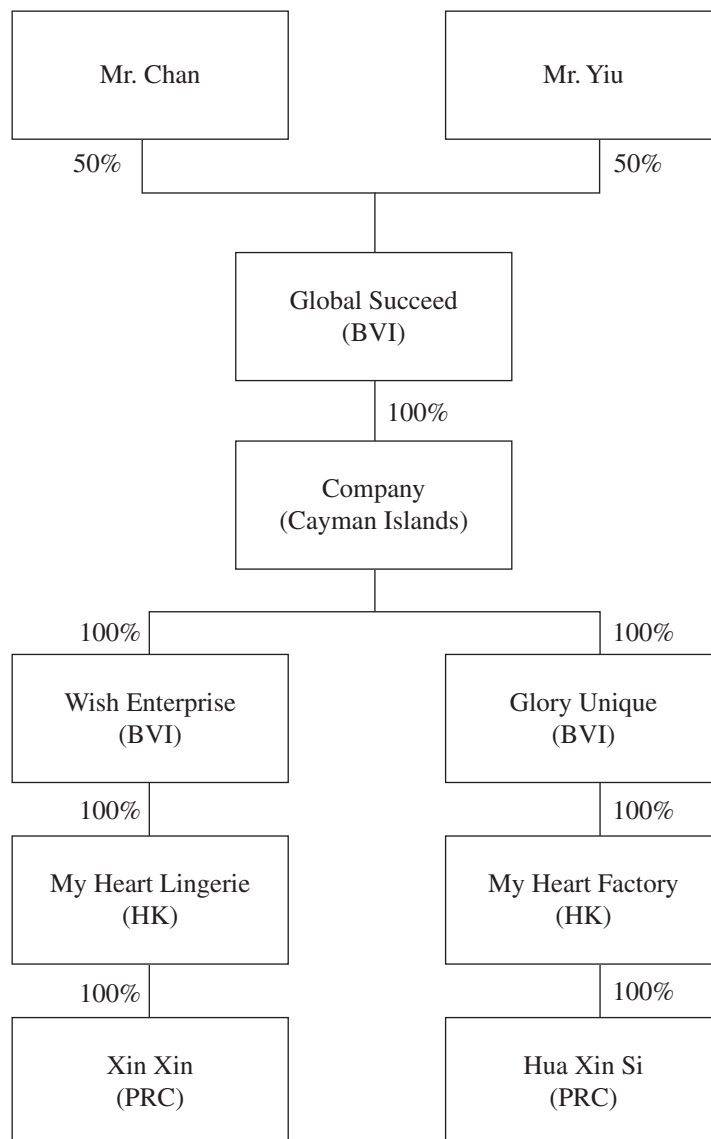
On 18 July 2016, Winterchase as vendor and our Company as purchaser entered into a sale and purchase agreement, pursuant to which our Company acquired two ordinary shares of Glory Unique, representing the entire issued share capital of Glory Unique, from Winterchase. The consideration was satisfied by our Company's allotment and issue (at the instructions of Winterchase) of 5,000 Shares to Global Succeed, all credited as fully paid. After completion of the transaction, all the issued shares of Glory Unique had been owned by our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

Upon completion of the Reorganisation on 19 July 2016, our Company became the holding company of our Group. Each of the share transfers with respect to Xin Xin and Hua Xin Si has been properly and legally completed and our Group had obtained all necessary approvals from the relevant government authorities.

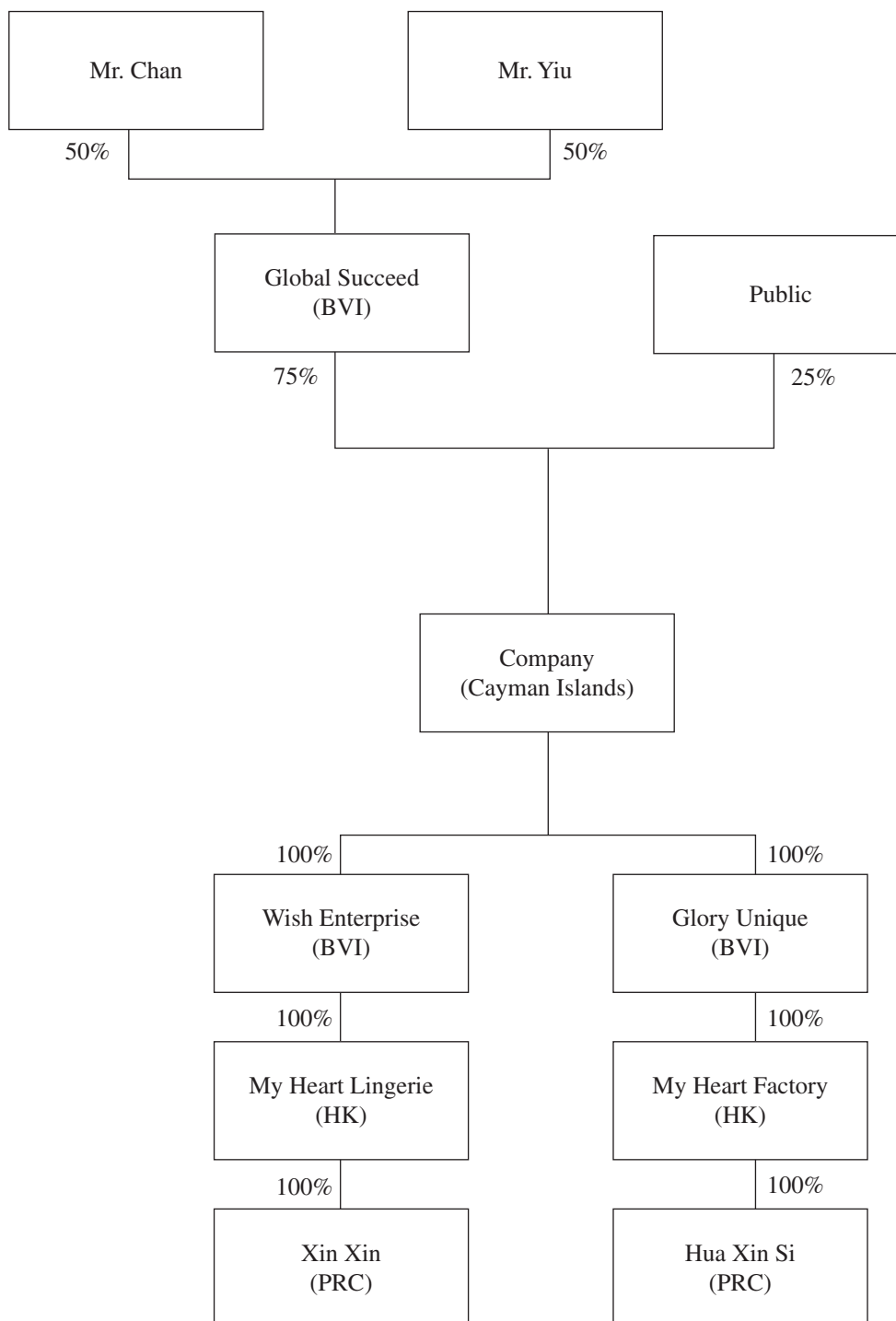
GROUP STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Capitalisation Issue and the Public Offer:



HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth the shareholding structure of our Group immediately following the Capitalisation Issue and the Public Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme):



PRC LEGAL COMPLIANCE

Circular 698 and Circular 7

Circular 7 abolished certain provisions of Circular 698 and provided comprehensive guidelines relating to, and also strengthened PRC tax authorities' scrutiny over, the indirect transfer of assets (including equity interests and immovable properties) of a PRC resident enterprise (the “**PRC Taxable Assets**”) by a non-PRC resident enterprise.

Circular 7 specifies that when a non-PRC resident enterprise transfers PRC Taxable Assets indirectly by disposing its equity interests in an offshore enterprise which directly or indirectly hold such PRC Taxable Assets, the PRC tax authorities may disregard the existence of such offshore enterprise, and deem the transaction as a direct transfer of PRC Taxable Assets and subject to the relevant PRC enterprise income tax if the relevant transfer is considered to be conducted for the purpose of evading its obligation of paying PRC enterprise income tax and without any reasonable commercial purpose. The parties involved in the transaction may report such share transfer to the relevant PRC tax authority on a voluntary basis.

As advised by our PRC Legal Advisers, since the acquisition of Wish Enterprise and Glory Unique have reasonable commercial purpose, our Group is not liable to pay any PRC enterprise income tax under the relevant provisions of Circular 7, but it depends on the final judgment of the PRC tax authorities. The PRC tax authorities have wide discretion in deciding whether our Group is liable or not. Our Group has already reported such share transfer to the competent PRC tax authority. Since Circular 7 does not stipulate the time limit within which the competent PRC tax authority should decide whether any share transfer is subject to PRC enterprise income tax, it remains uncertain as to when the competent PRC tax authority will advise our Group of their decision. In the event that our Group is liable to pay the PRC enterprise income tax under the relevant provisions of Circular 7, it will be indemnified by our Controlling Shareholders pursuant to the Deed of Indemnity, details of which are set out in “Other Information — 13. Tax and other indemnities” in Appendix IV to this prospectus.

M&A Regulations

On 8 August 2006, six PRC governmental and regulatory authorities, including the MOFCOM, the CSRC and the SAFE, jointly issued the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Regulations**”), which became effective on 8 September 2006 and was amended on 22 June 2009. The M&A Regulations include provisions which stipulate that an offshore special purpose vehicle formed for the purposes of an offshore listing and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. The M&A Regulations are applicable if there is a “takeover of a domestic enterprise by a foreign investor”, which has been defined in Article 2 of the M&A Regulations as the situations where (i) a foreign investor purchases the equity interests of a domestic non-foreign-invested enterprise (“**domestic enterprise**”) or subscribes for the increased capital of a domestic enterprise, and thus changes the domestic enterprise into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise, through which such foreign investor purchases the assets of a domestic

HISTORY, DEVELOPMENT AND REORGANISATION

enterprise and operates its assets; or (iii) a foreign investor purchases the assets of a domestic enterprise, and then uses such assets to invest in and establish a foreign-invested enterprise through which it operates the assets.

We have been advised by our PRC Legal Advisers that the M&A Regulations do not apply to the Reorganisation, and the Listing does not require the approval of the CSRC or any other PRC government authorities under the current PRC laws, regulations and rules for the reason that our PRC subsidiaries, Hua Xin Si and Xin Xin, both are wholly foreign owned enterprises since their incorporation up till now, therefore the transfer of shares of Hua Xin Si to My Heart Factory did not constitute a “takeover of a domestic enterprise by a foreign investor” as defined in the M&A Regulations and shall be subject to Provisions for the Alteration of Investor’s Equities in Foreign-funded Enterprises (外商投資企業投資者股權變更的若干規定) rather than the M&A Regulations. For details, please see “Regulatory Overview — Laws and regulations relating to our business and operations in the PRC — Laws and regulations relating to foreign investment industries”.

OVERVIEW

Established in 2003, we are a leading retailer of lingerie with shaping functions in Hong Kong, with production facilities in the PRC and Hong Kong. According to the Frost & Sullivan Report, in terms of the retail turnover for the year ended 31 December 2016, the functional lingerie market accounted for approximately 7.3% of the overall lingerie market in Hong Kong and we ranked second in that functional lingerie market in Hong Kong with a market share of approximately 25.6%.

We mainly design, develop, manufacture and sell our own branded lingerie targeting female customers aged 15 to 65. We principally offer lingerie that are designed with shaping functions which aim to achieve better body appearance, including bras, body shaping underwear and chest support vests. We also sell other complementary and ancillary products, primarily including breast cream, panties, nude bras, swimwear, bra straps and pads, and waist bands. All of our products are marketed and sold under our core brand “BOD}Bra” and four sub-brands, namely “}JUNE”, “Oobiki”, “BOD}care” and “INV}SI”.

A vast majority of our products are designed and produced in-house at our Shenzhen Factory and Hong Kong Factory. Our manufacturing processes involve skilled labour with the support of sewing machines and cutting machines.

We directly control, operate and manage our retail network comprising a total of nine retail stores in Hong Kong and two retail stores in the PRC as at the Latest Practicable Date, most of which are located in prime shopping areas. For details of the locations of our retail stores, see “— Our retail network — Our retail stores”. Our retail network does not involve distributors or franchisees, which enables us to exercise a high degree of direct control and in turn helps ensure the quality of our services. As at 31 March 2017, through our loyalty programme, we had accumulated approximately 52,000 paid memberships, among which approximately 20,000 were active memberships with members who had made at least one purchase at one of our retail stores during the year ended 31 March 2017. For the years ended 31 March 2015, 2016 and 2017, approximately HK\$40.1 million, HK\$47.4 million and HK\$63.6 million, representing approximately 85.6%, 88.6% and 86.0% of our revenue generated from the sales of products, respectively, were derived from customers who joined our loyalty programme and made purchases using credits in their credit packages or Member Vouchers. For details of our credit packages, see “— Marketing, advertising and promotion — Loyalty programme — Hong Kong”.

We have continued, and will continue, to focus on the mass market and high-end market of functional lingerie in Hong Kong. According to the Frost & Sullivan Report, the mass market and high-end market of functional lingerie in Hong Kong have enjoyed a market share of approximately 49.5% and 35.0% in terms of retail sales value for the year ended 31 December 2016, respectively. On the other hand, according to the Frost & Sullivan Report, the functional lingerie industry in the PRC has grown and is expected to continue to grow rapidly. We commenced our retail business in the PRC by opening our first retail store in Shenzhen, the PRC in December 2015. We intend to continue to capitalise on the opportunities in the functional lingerie industry in the PRC by increasing the number of retail stores. For details, see “—

BUSINESS

Business strategies — Continue to strengthen our leading market position in Hong Kong and expand our retail network in Hong Kong, the PRC and to Macau” and “Future Plans and Use of Proceeds — Implementation plan”.

For the years ended 31 March 2015, 2016 and 2017, our same-store sales growth rate were approximately 22%, 16% and 54%, respectively. Same-store sales growth rate represents the growth rate of sales of the same-store from each of our retail stores in a particular year against the sales from the same retail store (which remains in operation at the same location) in the previous year. The number of retail stores used in calculating the same-store sales growth rate for the years ended 31 March 2015, 2016 and 2017 was five, eight and six, respectively.

The table below sets forth the breakdown of our revenue by type of products during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Lingerie with shaping functions						
— Bras	27,295	53.6	31,934	57.4	44,739	57.6
— Body shaping underwear	11,470	22.5	9,972	17.9	12,039	15.5
— Chest support vests	3,910	7.7	6,256	11.3	11,262	14.5
Subtotal	42,675	83.8	48,162	86.6	68,040	87.6
Other complementary and ancillary products (<i>Note</i>)	4,144	8.2	5,302	9.5	5,922	7.6
Income from unused credit packages	4,094	8.0	2,157	3.9	3,748	4.8
Total	50,913	100.0	55,621	100.0	77,710	100.0

Note: These products primarily include breast cream, panties, nude bras, swimwear, bra straps and pads, and waist bands.

BUSINESS

The following table sets forth our sales volume and the average selling price of our lingerie with shaping functions by type of products during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	<i>units</i>	<i>HK\$</i>	<i>units</i>	<i>HK\$</i>	<i>units</i>	<i>HK\$</i>
Bras	55,798	489.2	61,311	520.9	92,598	483.2
Body shaping underwear	6,993	1,640.2	6,198	1,608.9	7,563	1,591.9
Chest support vests	9,010	434.0	12,259	510.3	23,069	488.2
	71,801	594.4	79,768	603.8	123,230	552.1

For a breakdown of our gross profit and gross profit margin during the Track Record Period, see “Financial Information — Description and analysis of principal components in the consolidated statements of profit or loss and other comprehensive income — Gross profit and gross profit margin”.

COMPETITIVE STRENGTHS

Leading market position and in-depth experience

We were established in 2003 in Hong Kong. Our long operating history has enabled us to build a sizeable consumer base. According to the Frost & Sullivan Report, in terms of the retail turnover for the year ended 31 December 2016, the functional lingerie market accounted for approximately 7.3% of the overall lingerie market in Hong Kong and we ranked second in that functional lingerie market in Hong Kong with a market share of approximately 25.6%. We believe that our established reputation and customer base position us well to continue to grow our business.

During the Track Record Period and as at the Latest Practicable Date, (i) our product design and development team comprised Ms. Ng Yuk Wah, who has over 20 years of experience in the production of lingerie, and Ms. Tong Ching Yee, one of our senior management members, who has over 14 years of experience in the sales and marketing of lingerie products; and (ii) our production team comprised 65 staff with an average of approximately four years of experience in our Group and was supervised by Mr. Lam Ka Yuen who has around 11 years of experience in lingerie production management. The staff of our product design and development team had remained unchanged during the Track Record Period and up to the Latest Practicable Date.

Our bras and other lingerie with shaping functions are hand-made delicate garments produced by experienced and skilled workers, and we continue to enhance our quality control throughout our entire manufacturing process. We believe that our in-depth experience has laid a solid foundation for us to innovate and produce high quality products efficiently.

Strategic product positioning and competitive pricing

We target the mass market and high-end market of functional lingerie, which we believe have strong growth potential. According to the Frost & Sullivan Report, in each of the functional lingerie markets in Hong Kong and the PRC, (i) the mass market is the largest and the fastest growing market segment from 2011 to 2016 and is expected to demonstrate large market potential, increasing at a CAGR of approximately 13.5% and 28.5% from 2017 to 2020, respectively; and (ii) the high-end market enjoyed a market share of approximately 35.0% and 34.7% in terms of retail sales value for the year ended 31 December 2016, respectively, and is expected to increase at a CAGR of approximately 13.4% and 27.8% from 2017 to 2020, respectively. We have also tailored our marketing and pricing strategies to appeal more specifically to our customers and to effectively present our products' attributes, qualities, and advantages as distinct from those of our competitors' products.

We offer a wide range of lingerie that are designed with shaping functions at competitive prices. We design and produce most of our products in our Shenzhen Factory and Hong Kong Factory, which enables us to manage costs and quality.

In addition, all products under our proprietary brands are sold exclusively in our retail stores and as a result, we have flexibility in pricing our products or offering promotional activities and thus the ability to maintain and improve our margins while offering attractive and reasonable prices.

Retail network in prime shopping areas

We directly control, operate and manage our retail network. Direct control allows us to actively and efficiently manage and supervise all critical aspects of our retail operations, including the adoption and implementation of our retail store location selection strategy. As at the Latest Practicable Date, a majority of our retail stores was located in prime shopping areas in Hong Kong and the PRC. We believe these shopping areas would generate large shopper traffic with high accessibility and exposure. Our continuing foothold in prime shopping areas demonstrates the mass appeal of our products, enhances exposure of our products to a large number of shoppers, enables us to closely monitor our customers' behaviour and improves our ability to respond swiftly to changing customer preferences and spending patterns.

Experienced management team with a proven track record

Each of Mr. Yiu and Mr. Chan, both being our executive Directors, possesses approximately five years of expertise in the lingerie industry. For details of their experience, see "Directors and Senior Management". Both of them are also our Controlling Shareholders and will continue to take active leadership and management roles in our Group, aligning their interests with those of our Shareholders. Through their leadership, we achieved significant revenue and profit growth during the Track Record Period. In addition, we have built a professional senior management team that has extensive experience in design, production and marketing of lingerie and in-depth knowledge of the lingerie industry. We believe that the industry experience and management capability of our executive Directors and senior management team will continue to help us deliver sustainable growth in the future.

BUSINESS STRATEGIES

Our Group conducted a feasibility study on our expansion plan into Hong Kong, the PRC and Macau and our expansion plan was made with reference to the results of that feasibility study. In conducting such feasibility study, we have taken into account, among others, the following key factors: (i) our Company's leading market position as one of the top two players in the functional lingerie market in Hong Kong in terms of retail turnover for the year ended 31 December 2016; (ii) the potential market growth rates of Hong Kong, the PRC and Macau; (iii) customer preferences and market acceptance of our Group's products; (iv) our Group's financial resources; and (v) our Group's production capacity. We aim to maintain and strengthen our leading market position as a retailer of functional lingerie with shaping functions in Hong Kong and expand our presence in the functional lingerie markets in the PRC and to Macau by pursuing the following strategies:

Continue to strengthen our leading market position in Hong Kong, and expand our retail network in Hong Kong, the PRC, and to Macau

We intend to capitalise on our industry knowledge and leading market position to expand our retail network and grow our customer base. With our established reputation and customer base in Hong Kong, we plan to open six new retail stores in Hong Kong by 2019. We also intend to open three retail stores in Macau by 2019 as our Directors are of the view that the functional lingerie market in Macau is less competitive and presents great market potential. In anticipation of the growth in the functional lingerie market in the PRC, we will also expand our retail network in the PRC by covering major cities, such as Beijing and Shanghai. We intend to open 11 new retail stores in the PRC by 2019. See “— Our retail network — Selection strategy for our retail stores location” for more details of the factors we consider in selecting a retail store location. With our expertise and experience, we believe that our expansion in these cities will enable us to expand our market share in the PRC and enhance our profitability.

We are currently reviewing various potential locations in Hong Kong, the PRC and Macau for our new retail stores. Potential locations include Mongkok, Tseung Kwan O, Diamond Hill, Causeway Bay, Tsim Sha Tsui and Tai Po in Hong Kong, Macau and Shenzhen, Shanghai, Guangzhou, Beijing and Hangzhou in the PRC. As at the Latest Practicable Date, no lease agreement had been entered into in respect of the planned new retail stores. The planned capital expenditure for our Group's retail network expansion, which will be funded by the net proceeds from the Public Offer, is expected to be approximately HK\$8.8 million, HK\$10.9 million and HK\$4.1 million for the years ending 31 March 2018 and 2019 and the six months ending 30 September 2019, respectively.

We expect that the opening of the new retail stores will increase our operating expenses, principally due to the anticipated increase in staff cost and rental payment.

During the Track Record Period, the breakeven period of one retail store we opened (being Store 5 as set out in “— Our retail network — Our retail stores”) was approximately five months and the investment payback period of such retail store was approximately six months. Such historical breakeven period and investment payback period are not indicative of our future performance as our Group's revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control.

Further strengthen our brand awareness and reputation

We believe that further strengthening our brand awareness and reputation is key to maintaining and expanding our customer base. Our Directors believe that the growth in our financial performance during the Track Record Period was primarily attributable to the success in our sales and marketing effort. Our Directors also believe that leveraging on becoming a listed company on the Stock Exchange, our corporate image would be enhanced and potential customers would have increased confidence in our brand. We plan to continue and increase our marketing efforts by (i) increasing our social media exposure; and (ii) improving market exposure by placing more advertisements in magazines, social media, websites and billboards.

Increase our production capacity and product development capabilities

As at the Latest Practicable Date, we manufactured a vast majority of our products in-house at our Shenzhen Factory and Hong Kong Factory. During the Track Record Period, we had maintained consistently high utilisation rates and generally experienced increase in demand for some of our products as shown in the general increase in sales volume. In anticipation of the growing demand for our products and the increase in our sales following the expansion of our retail network and the increase in our marketing efforts, we plan to expand our production capacity. We also plan to recruit additional production workers and acquire additional machinery to support our new factory and increase our production capacity. Our Directors believe that our management team will (i) be able to maintain our utilisation rate; (ii) be able to enhance coordination in the deployment of machinery and labour forces in order to optimise our operational efficiency; and (iii) have additional manpower to further strengthen our work safety and the quality of our products.

We believe that our success and growth during the Track Record Period largely depended on our ability to improve our existing products and develop new products which meet the needs and preferences of our customers. To strengthen the overall competitiveness of our products, we endeavour to improve the design of our products and launch new designs in the market. In this regard, we plan to employ additional product designers. We will continue to invest and leverage on our research and development capability and apply our expertise and experience. With a stronger product development team, we expect to launch more lingerie with different styles and functions according to market trends and to capture a wider customer base. We believe we could maintain our high level of customer satisfaction, which we believe will continue to drive our growth. We also believe that this will increase our customers' loyalty, and in turn strengthen our leading position in the functional lingerie market.

BUSINESS

Strengthen our operational efficiency

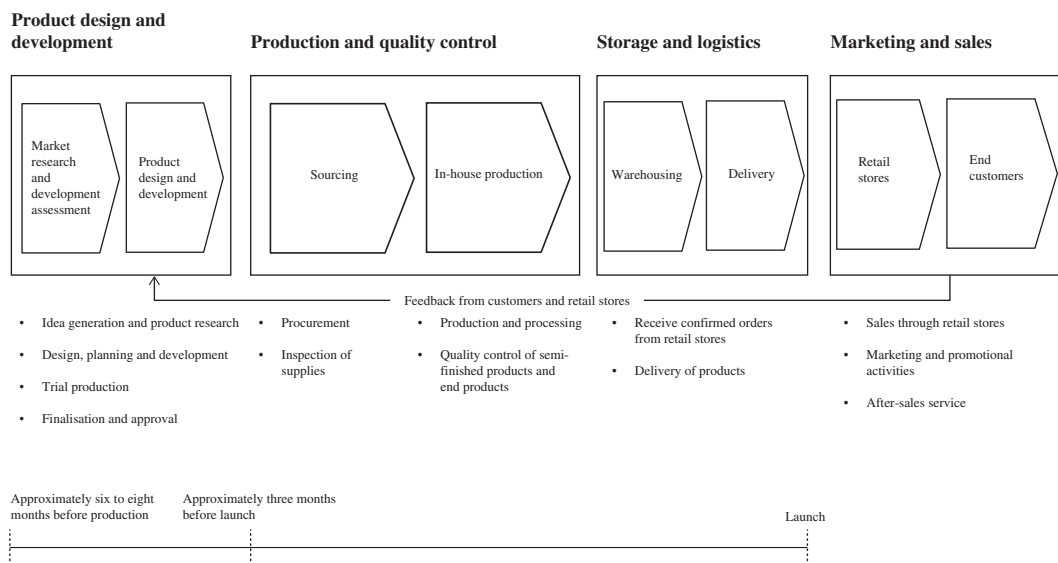
We currently have POS systems to support our daily operations. In view of the planned expansion of our retail network in Hong Kong and the PRC, we intend to upgrade our POS systems and enhance our programme for our very important persons (VIP) credit functions. We also intend to purchase a software licence covering finance, supply chain management and manufacturing modules for facilitating the purchasing, production and warehouse functions of our operations. We plan to integrate our existing individual information technology system into one platform. We believe the integration of our operation systems in Hong Kong and the PRC into one system will bring greater efficiency to all aspects of our daily operations. Our Directors believe that by upgrading and integrating our systems, we will be able to better analyse our customers' purchasing behaviour, and track, monitor and analyse our key operating data and achieve greater operational efficiency.

For further details on the implementation of the above-mentioned business strategies, please see "Future Plans and Use of Proceeds".

BUSINESS MODEL

We mainly design, develop, manufacture and sell our own branded lingerie with shaping functions. We sell our products through our retail network, covering nine retail stores in Hong Kong and two retail stores in the PRC as at the Latest Practicable Date.

The diagram below illustrates our business model.



OUR BRANDS AND PRODUCTS

Brands

We offer a wide range of lingerie with shaping functions and certain complementary and ancillary products under our core brand “BOD**Y**bra” and four sub-brands, namely “JUNE”, “**Obiki**”, “BOD**Y**care” and “INV**Y**SI”, targeting customers of different age groups with varying needs and consumption propensity. Each of our core brand and sub-brands has its own designs, features and characteristics to fit the target consumer group’s tastes and needs, and is priced differently. For the years ended 31 March 2015, 2016 and 2017, revenue generated from the sale of products under our core brand “BOD**Y**bra” amounted to approximately HK\$44.1 million, HK\$48.9 million and HK\$68.1 million, respectively, representing approximately 94.2%, 91.5% and 92.0% of our total revenue generated from the sale of products for the corresponding year.

Product portfolio



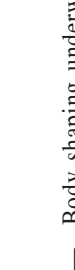




We principally offer lingerie that are designed with shaping functions which aim to achieve better body appearance, and other complementary and ancillary products. Our products can be broadly grouped into four categories: (i) bras; (ii) body shaping underwear; (iii) chest support vests; and (iv) other complementary and ancillary products, primarily including breast cream, panties, nude bras, swimwear, bra straps and pads, and waist bands.




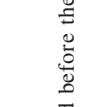


According to the Frost & Sullivan Report, functional lingerie generally have an estimated product life cycle of one to three years and are less affected by changing fashion trends compared to lingerie without shaping functions.

For a breakdown of our sales volume and the average selling price of our lingerie with shaping functions by type of products during the Track Record Period, see “— Overview”.

BUSINESS

The table below sets forth certain information regarding our core brand and four sub-brands as at the Latest Practicable Date.

Brands (Note 1)	Targeted customers	Key product offerings (Note 2)	Picture of samples	Approximate retail price range for key products in Hong Kong HK\$
	Female customers aged between 18 to 65	— Bras		From 289 to 1,200
	—	Body shaping underwear		From 259 to 7,899
	—	Chest support vests		From 389 to 689
	—	Panties, nude bras, bra straps and pads, and waist bands		From 15 to 799
	Female customers aged between 15 to 25	— Bras		469






Brands (Note 1)	Targeted customers	Key product offerings (Note 2)	Picture of samples	Approximate retail price range for key products in Hong Kong HK\$
	Female customers aged between 18 to 65	Swimwear		399
	Female customers aged between 18 to 65	Breast cream		858
	Female customers aged between 18 to 65	Nude bras		499

Notes:

1. We launched the brand “JUNE” in December 2015 and the other four brands were launched before the Track Record Period.
2. Nude bras are sold under both the “BODBra” and “INVSI” brands.

BUSINESS

The table below shows a breakdown of our revenue from the sale of our products by brands during the Track Record Period.

	For the year ended 31 March					
	2015		2016		2017	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue
 (Note 1)	44,117	94.2	48,924	91.5	68,071	92.0
 (Note 2)	—	—	850	1.6	1,667	2.3
	156	0.3	699	1.3	181	0.2
	2,381	5.1	2,799	5.2	3,869	5.3
 (Note 3)	165	0.4	191	0.4	174	0.2
Total	46,819	100.0	53,463	100.0	73,962	100.0

Notes:

1. Revenue generated from nude bras has been excluded.
2. We launched the brand “JUNE” in December 2015.
3. While our nude bras have been sold under both the “BOD Bra” and “INVS I” brands, revenue generated from nude bras as set out in the above table included only the sales under the brand “INVS I” for classification purpose.

Pricing strategies

We determine prices of our products with reference to a number of factors, including the following:

- market trends and pricing of similar products of our competitors;
- our historical sales data;
- production costs such as cost of supplies;
- complexity of design and manufacturing;
- our expected profit margins; and
- denominated currency of supplies.

BUSINESS

Our senior management determines our product promotional policies and programmes. Depending on the results of our analysis of sales data from time to time, we seldom conduct promotional sales to boost the sales of slow-moving products. During the Track Record Period, as the majority of our products was sold at regular prices instead of under promotional sales, there was no significant change to the pricing of our products. Our Directors believe that there would not be any significant change in the future pricing of our products. For further details, please refer to “Financial Information — Description and analysis of principal items in the consolidated statements of financial position — Inventories”.

OUR RETAIL NETWORK

We have established a retail network with a total of 11 retail stores, covering nine retail stores in Hong Kong and two retail stores in the PRC as at the Latest Practicable Date. We have full and direct control in the management and operation of all our retail stores.

The map below shows the approximate locations of our retail stores in Hong Kong as at the Latest Practicable Date.



BUSINESS

Our retail stores

The table below sets forth the details of our retail stores as at the Latest Practicable Date.

Name of retail store	Location	Approximate gross floor area	Current term of the lease	Rental	Approximate rental expenses incurred during the Track Record Period <i>(Note 1)</i>		
					2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Hong Kong							
Causeway Bay Plaza I ("Store 2")	Unit 206A and Unit 207A on the Second Floor of Causeway Bay Plaza I, No. 489 Hennessy Road, Hong Kong	432 sq.ft.	From 18 December 2016 to 17 December 2019	Monthly fixed rent	960	960	960
Tsim Sha Tsui ("Store 3")	Ground Floor, No. 45 Granville Road, Kowloon, Hong Kong	890 sq.ft.	From 10 April 2017 to 9 April 2020	Monthly fixed rent	2,280	2,370	2,520
Pioneer Centre ("Store 4")	Shop No. 133 on the First Floor of Pioneer Centre, No. 750 Nathan Road, Kowloon, Hong Kong	242 sq.ft.	From 24 December 2016 to 23 December 2019	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover of that retail store exceeds monthly fixed rent	1,547	2,088	2,786

BUSINESS

Name of retail store	Location	Approximate gross floor area	Current term of the lease	Rental	Approximate rental expenses incurred during the Track Record Period <i>(Note 1)</i>		
					Year ended 31 March		
					2015	2016	2017
				HK\$'000	HK\$'000	HK\$'000	
Amoy Plaza ("Store 5")	Shop No. F116 on the First Floor of Amoy Plaza of Amoy Gardens Phase I, No. 77 Ngau Tau Kok Road, Kowloon, Hong Kong	485 sq.ft.	From 22 June 2017 to 21 June 2019	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover of that retail store exceeds monthly fixed rent	—	387	1,209
Tsuen Fung Centre ("Store 7") (Note 2)	Shop 4, 2/F, Tsuen Fung Centre, 144–172 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	440 sq.ft.	From 26 September 2016 to 25 September 2017	Monthly fixed rent	276	316	346
Kolour • Yuen Long ("Store 8")	Shop No. 1 on the First Floor of Kolour • Yuen Long, No.1 Kau Yuk Road and Nos. 36–46 Tai Tong Road, Yuen Long, New Territories, Hong Kong	499 sq.ft.	From 19 June 2017 to 18 June 2019	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover of that retail store exceeds monthly fixed rent	841	994	1,135
Waldorf Garden ("Store 9") (Note 2)	Shop No. 4H on Level 3 of Waldorf Garden at No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong	430 sq.ft.	From 1 March 2016 to 28 February 2018	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover of that retail store exceeds monthly fixed rent	—	49	892

BUSINESS

Name of retail store	Location	Approximate gross floor area	Current term of the lease	Rental	Approximate rental expenses incurred during the Track Record Period <i>(Note 1)</i>		
					Year ended 31 March		
					2015	2016	2017
					HK\$'000	HK\$'000	HK\$'000
Hilton Plaza ("Store 16")	Shop No. 41 on Level 3 of Hilton Plaza, Nos. 3-9 Sha Tin Centre Street, Shatin, New Territories, Hong Kong	584 sq.ft.	From 1 September 2016 to 31 August 2018	Monthly fixed rent	—	—	349
Sharp Street East ("Store 18")	Ground Floor, No. 2 Sharp Street East, Hong Kong	760 sq. ft.	From 12 December 2016 to 11 December 2019	Monthly fixed rent	—	—	414
PRC							
Wongtee Plaza ("Store 17")	Shop 36-1, B1/F, Wongtee Plaza, No. 118 Fu Hua San Road, Futian District, Shenzhen, the PRC	69.25 sq.m.	From 24 October 2016 to 23 October 2018	Monthly fixed rent	—	—	173
Beijing Guorui Shopping Mall ("Store 11") <i>(Note 2)</i>	Shop F2ZD-5, 2/F, Beijing Guorui Shopping Mall, Building 1, No.18 Chong Wai Da Jie, Dong Cheng District, Beijing, the PRC	25 sq.m.	From 27 December 2015 to 26 December 2017	Monthly fixed rent or a specified percentage of the turnover exceeds monthly fixed rent	—	73	280
				Total:	7,704	9,037	11,064

Notes:

- The rental expenses listed in this table represent the amounts incurred according to the then valid lease agreements.
- Our Directors intend to liaise with the landlord to renew the lease before the expiry of the existing lease agreement.

BUSINESS

The table below sets forth the details of the retail stores we operated and closed during the Track Record Period.

Name of retail store	Location	Term of the lease	Rental	Approximate rental expenses incurred during the Track Record Period (Note 1)		
				Year ended 31 March		
				2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Lee Garden Road (“Store 1”)	Ground Floor of No. 40 Lee Garden Road, Hong Kong	From 10 March 2014 to 9 March 2017	Monthly fixed rent	1,800	1,800	1,450
Shatin Plaza (“Store 6”)	Shop No. 40 on Level 3 of Shatin Plaza, No. 21-27 Sha Tin Centre Street, Sha Tin, New Territories, Hong Kong	From 14 July 2016 to 13 August 2016	Monthly fixed rent or a specified percentage of the turnover, whichever is higher	1,865	1,992	715
Wongtee Plaza (“Store 10”)	Shop 51, B1/F, Wongtee Plaza, No. 118 Fu Hua San Road, Futian District, Shenzhen, the PRC	From 26 October 2015 to 16 October 2016	Monthly fixed rent or a specified percentage of the turnover, whichever is higher	—	238	302
Sheung Shui (“Store 12”) (Note 2)	No. 42A, Lung Sum Avenue, Sheung Shui, New Territories, Hong Kong	From 1 April 2013 to 30 June 2015	Monthly fixed rent	138	—	—
Gala Place (“Store 13”)	Shop F48 on the First Floor of Gala Place, 56 Dundas Street, Kowloon, Hong Kong	From 1 July 2014 to 31 May 2015	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover of that retail store exceeds monthly fixed rent	358	81	—

BUSINESS

Name of retail store	Location	Term of the lease	Rental	Approximate rental expenses incurred during the Track Record Period <i>(Note 1)</i>		
				Year ended 31 March		
				2015	2016	2017
				HK\$'000	HK\$'000	HK\$'000
Kwai Chung Plaza ("Store 14")	Shop B11B, 1/F, Kwai Chung Plaza, New Territories, Hong Kong	From 11 December 2014 to 10 December 2015	Monthly fixed rent	72	66	—
Trend Plaza ("Store 15")	Shop No. 17 on Level 1 of North Wing of Trend Plaza, Tuen Mun, New Territories, Hong Kong	From 14 May 2014 to 13 May 2016	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover of that retail store exceeds monthly fixed rent	374	477	47
			Total:	4,607	4,654	2,514

Notes:

1. The rental expenses listed in this table represent the amounts incurred according to the then valid lease agreements.
2. Our Directors confirm that the lease of Store 12 was terminated by mutual agreement prior to the expiry of the lease and before 31 March 2015 due to unsatisfactory sales performance.

BUSINESS

Changes in the number of retail stores

The table below sets forth the details of changes to the number of our retail stores during the Track Record Period.

	As at									
	1 April	Year ended 31 March								
	2014	2015			2016			2017		
	Newly opened	Closed	Year end	Newly opened	Closed	Year end	Newly opened	Closed	Year end	
Number of retail stores										
In Hong Kong	9	2 <i>(Note 1)</i>	1 <i>(Note 2)</i>	10	1 <i>(Note 3)</i>	2 <i>(Note 5)</i>	9	3 <i>(Note 6)</i>	3 <i>(Note 6)</i>	9
In the PRC	0	0	0	0	1 <i>(Note 4)</i>	0	1	2 <i>(Note 7)</i>	1 <i>(Note 7)</i>	2
Total	9	2	1	10	2	2	10	5	4	11

Notes:

1. Store 13 and Store 14 commenced operation in July 2014 and December 2014, respectively.
2. Our Directors confirm that the lease of Store 12 was terminated by mutual agreement prior to the expiry of the lease and before 31 March 2015 due to unsatisfactory sales performance. We did not achieve breakeven and investment payback in relation to Store 12 prior to its closure.
3. Store 5 commenced operation in August 2015.
4. Store 10 commenced operation in December 2015.
5. Our Directors confirm that Store 13 and Store 14 were closed due to the respective leases not being renewed by the landlord upon expiry. We achieved breakeven and investment payback in relation to Store 13 prior to its closure but not for Store 14.
6. Our Directors confirm that Store 15 was closed due to the relevant lease not being renewed by the landlord upon expiry and a new retail store, namely Store 9, was opened in the same district. We achieved breakeven and investment payback in relation to Store 15 prior to its closure.

Our Directors confirm that Store 6 was closed due to the relevant lease not being renewed by the landlord upon expiry and a new retail store, namely Store 16, was opened in the same district. We achieved breakeven and investment payback in relation to Store 6 prior to its closure.

Our Directors confirm that Store 1 was closed due to the relevant lease not being renewed by us and a new retail store, namely Store 18, was opened in the same district. We achieved breakeven and investment payback in relation to Store 1 prior to its closure.

7. Our Directors confirm that Store 10 was closed by mutual agreement prior to the expiry of the lease at the landlord's request and a new retail store, namely Store 17, was opened in the same plaza. We did not achieve breakeven and investment payback in relation to Store 10 prior to its closure.

Store 11 commenced operation in January 2017.

Leasing arrangement

As at the Latest Practicable Date, all our current lease agreements for retail stores were entered into with Independent Third Parties. We generally negotiate with the landlord for a lease term of one to three years.

Rental and related expenses is one of our major costs. For the years ended 31 March 2015, 2016 and 2017, the rental expenses relating to our retail stores amounted to approximately HK\$10.5 million, HK\$11.9 million and HK\$13.6 million, respectively, representing approximately 49.6%, 52.0% and 41.9% of our selling expenses for the corresponding year. Four of our current lease agreements stipulate that the rent payable shall be calculated based on a monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover of that retail store exceeds the monthly fixed rent.

Selection strategy for our retail store locations

We consider that the selection of our retail store locations is crucial to the success of our business. As at the Latest Practicable Date, a majority of our retail stores was located in prime shopping areas in Hong Kong and the PRC.

In selecting the location for the opening of our retail stores, we would generally consider the following key factors:

<u>Elements</u>	<u>Factors for consideration</u>
Sales potential	<ul style="list-style-type: none">● Existence of favourable demographics of target customer groups● Shopper traffic
Leasing terms	<ul style="list-style-type: none">● Readiness for occupancy, lease term and renewal provisions, rental costs
Accessibility	<ul style="list-style-type: none">● Proximity to public transportation systems, hotels, shopping malls and other commercial developments● Planned governmental or commercial developments in the area
Exposure	<ul style="list-style-type: none">● Exposure to pedestrians and shoppers● Existence of popular neighbouring shops or eateries with high shopper traffic
Store size and condition	<ul style="list-style-type: none">● Display area for our products● Storage space for our inventories● Number of in-store sales staff required● Extent of renovation needed● Availability and quality of shopping plaza management (applicable to location in shopping plazas)

BUSINESS

<u>Elements</u>	<u>Factors for consideration</u>
Capital outlay	<ul style="list-style-type: none">● Amount of initial costs such as renovation costs
Concentration and competition	<ul style="list-style-type: none">● Proximity to, competition from and performance of nearby lingerie retailers (if any) and our existing retail stores

All the sites are evaluated carefully with a critical assessment of whether our selection criteria can be met before any decision to lease is made.

Store renovation and design

Our retail stores are designed to provide comfortable in-store shopping experience. We determine product display and store decoration based on the property conditions and our marketing strategies from time to time.

The following pictures illustrate some of our retail stores.



Network management and operation

Management level

Our senior management can review in-time hourly reports on individual retail stores and daily reports on individual in-store sales to closely monitor our operations. We have two sales managers, who are in charge of the management of our retail stores. Our senior management team and sales managers also conduct random store visits to inspect and monitor the performance of our in-store sales staff.

Store level

We have developed standard procedures for our in-store sales staff to follow as regards various retail operation aspects, including answering frequently-asked questions, providing advice to customers on selecting properly fitted lingerie and handling customers' complaints. Any abnormality or irregularity in the sales performance will be identified and followed up, such as contacting the sales manager responsible for the in-store sales to find out the reason and to take any appropriate remedial actions.

BUSINESS

Cash management

In each retail store, our in-store sales staff handling a particular transaction is required to input the details of that transaction into our POS system by scanning the product barcode so that the transaction is recorded and can be monitored by our head office. Our in-store sales staff is responsible for counting cash proceeds and performing reconciliations against the daily sales report at the close of each business day. Our accounting staff will conduct cross-checking. Furthermore, each retail store is installed with a surveillance camera connected to our head office to avoid any possible misconduct.

During the Track Record Period and up to the Latest Practicable Date, we had not recorded any material cash loss, theft or misappropriation of cash.

PRODUCTION

Production facilities

We manufacture a vast majority of our products in-house at our Shenzhen Factory and Hong Kong Factory. Our in-house design and production capability is of strategic importance to us. We can retain, upgrade and better protect our proprietary know-how and other intellectual property rights as well as exercise direct control over quality, production costs and timing. The table below sets out the general information of our production facilities as at the Latest Practicable Date.

Factory	Location	Current term of the lease	Rental	Use	Major operations	Major products	Number of employees
Shenzhen Factory	4/F, Building 5, No. 51 Ge Zhen Dong Road, Ping Hu Community, Ping Hu Street, Long Gang District, Shenzhen, the PRC	From 1 October 2016 to 30 September 2018	Monthly fixed rent	Production facilities, raw materials storage and office	Production, procurement, finance and quality control	Bras, body shaping underwear, chest support vests, panties and swimwear	48
Hong Kong Factory	Unit E on the Third Floor of Selwyn Factory Building, 404 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong	From 14 September 2015 to 13 September 2017	Monthly fixed rent	Production facilities and finished products storage	Product design and development, production, quality control and provision of alteration service	Bras	17

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any accidents causing significant personal injuries or death at our production facilities. As advised by our PRC Legal Advisers, we had operated our Shenzhen Factory in compliance with the relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. As advised by our Hong Kong Legal Counsel, we had operated our Hong Kong Factory in compliance with the relevant Hong Kong laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Production team

As at the Latest Practicable Date, our production team comprised 65 staff with an average of approximately four years of experience in our Group and was supervised by Mr. Lam Ka Yuen who has around 11 years of experience in the lingerie production management. For details of Mr. Lam Ka Yuen's experience, see "Directors and Senior Management — Senior management".

Generally, our employees in the production team are required to work eight hours per day and five days per week, and in some cases, we adjust their working hours to meet unexpected or sudden changes in production needs.

Product design and development

We currently offer three different major categories of lingerie with shaping functions, namely bras, body shaping underwear and chest support vests. We focus on optimising and developing the shaping functions of our products. As at the Latest Practicable Date, our product design and development team comprised Ms. Ng Yuk Wah, who has over 20 years of experience in the production of lingerie products, and Ms. Tong Ching Yee, one of our senior management members, who has over 14 years of experience in the sales and marketing of lingerie products. For further details of the biography of Ms. Tong Ching Yee, see “Directors and Senior Management — Senior management”.

Our design and development process for a new product typically takes approximately six to eight months, depending on the complexity of the product, and is typically as follows:

- ***idea generation and product research:*** our product design and development team will analyse the latest market trends and review sales data and customer feedback on our current line of products;
- ***design, planning and development:*** our product design and development team will produce sketches and patterns for prototypes. Designs are continuously modified through reviews and tests;
- ***trial production:*** our production team will produce samples of various sizes; and
- ***finalisation and approval:*** our product design and development team will provide feedback to our production team and our senior management, including Mr. Yiu, is responsible for approving the mass production of the final product.

With our product design and development capabilities, we developed 14, 12 and eight new products for the years ended 31 March 2015, 2016 and 2017, respectively. For the years ended 31 March 2015, 2016 and 2017, revenue derived from the sales of such new products amounted to approximately HK\$1.8 million, HK\$3.1 million and HK\$1.6 million, respectively, representing approximately 3.6%, 5.5% and 2.0% of our total revenue for the corresponding year.

As at the Latest Practicable Date, we had 22 registered designs. For details of our intellectual property rights, see “Further information about the business of our Group — 8. Intellectual property rights of our Group” in Appendix IV to this prospectus. We consider that such registered designs are critical to our business.

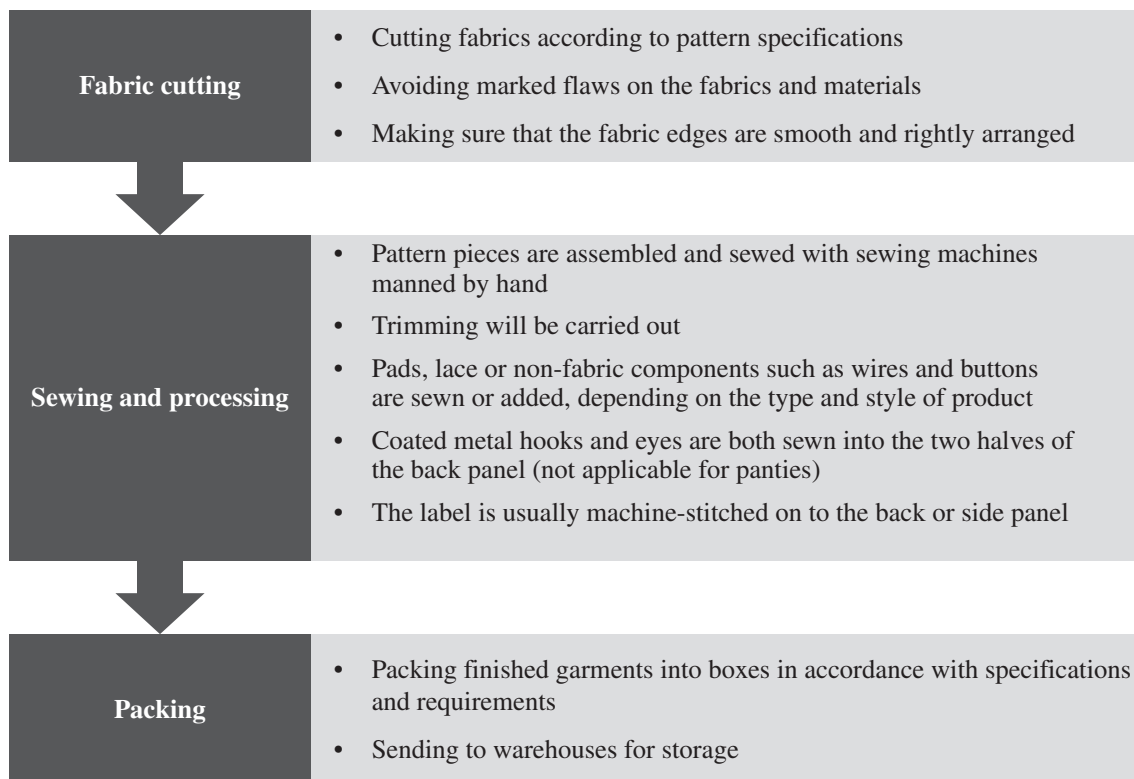
During the Track Record Period, other than the staff costs of our product design and development team, we did not incur any material expenses in relation to product design and development.

In July 2016, we entered into an agreement with CDAHK, an Independent Third Party, pursuant to which, both parties have agreed, among others, that during a period of three years commencing from 1 July 2016, CDAHK would actively participate in our product design process. CDAHK is a chiropractic professional body in Hong Kong, consisting of members who are mainly full-time practising chiropractic doctors. It was founded to actively promote chiropractic in Hong Kong and has been involved in chiropractic activities and public health care events since its establishment in 2000. For the three-year period, CDAHK would, among others, (i) scrutinise our products through inspection of the design, structure, and composition of materials and conduct final acceptance tests on our products; and (ii) exclusively endorse our bras and girdles. The parties have also agreed that we shall not sell our products marked with CDAHK's name or logo to any country or territory other than Hong Kong. In consideration of CDAHK agreeing to endorse our above products, we shall pay an annual fee to CDAHK of approximately HK\$0.3 million. Our products will continue to sell under our own brand names and CDAHK shall not be subject to any profit sharing in relation to the sales of our products.

Production process

Before mass production begins, we conduct a few rounds of stocktaking and quality checking on both the appearance of the raw materials and their quality to ensure that the raw materials are free from problems such as worn, dirt, flaws and discolouration, and are suitable for production purposes.

Key steps of our manufacturing process for bras, body shaping underwear, chest support vests and panties are:



BUSINESS

Workers are arranged to work on specific parts of the lingerie which require different skill sets. Unlike completely mechanised and machinery-driven production lines consisting entirely of unmanned equipment, each pattern fabric is checked, sized, pressed, cut and sewn with the support of sewing machines and cutting machines manned by our workers to form one single lingerie. Quality checks are conducted throughout the manufacturing process of each lingerie so that we can backtrack to allow us to correct the defects during the production process. Each pattern fabric must accurately and consistently fit in the garment product to ensure the consistency of appearance and the desired balance, stretch and shape to achieve the designed functionality.

Production capacity

We maintained consistently high utilisation rates during the Track Record Period. The following table sets forth a summary of our designed production capacity in terms of the number of products and utilisation rates for our production facilities during the Track Record Period.

	Year ended 31 March								
	2015			2016			2017		
Product	Designed production capacity <i>(Note 1)</i> <i>(units)</i>	Actual production volume <i>(Note 2)</i> <i>(units)</i>	Approximate utilisation rate <i>(Note 3)</i> <i>(%)</i>	Designed production capacity <i>(Note 1)</i> <i>(units)</i>	Actual production volume <i>(Note 2)</i> <i>(units)</i>	Approximate utilisation rate <i>(Note 3)</i> <i>(%)</i>	Designed production capacity <i>(Note 1)</i> <i>(units)</i>	Actual production volume <i>(Note 2)</i> <i>(units)</i>	Approximate utilisation rate <i>(Note 3)</i> <i>(%)</i>
<i>Shenzhen Factory</i>									
Bras	52,500	39,532	75.3	75,600	75,163 <i>(Note 4)</i>	99.4 <i>(Note 5)</i>	88,704	106,553	120.1 <i>(Note 6)</i>
Body shaping underwear	9,000	8,576	95.3 <i>(Note 5)</i>	8,100	7,668	94.7 <i>(Note 5)</i>	8,640	8,639	100.0
Chest support vests and panties	37,500	31,704	84.5 <i>(Note 5)</i>	37,500	29,888	79.7 <i>(Note 5)</i>	32,000	37,872	118.4 <i>(Note 6)</i>
Subtotal	99,000	79,812	80.6	121,200	112,719	93.0	129,344	153,064	118.3 <i>(Note 6)</i>
<i>Hong Kong Factory</i>									
Bras	9,800	7,066	72.1	12,600	11,337 <i>(Note 4)</i>	90.0 <i>(Note 5)</i>	12,600	12,599	100.0
Total	108,800	86,878	79.9	133,800	124,056	92.7	141,944	165,663	116.7 <i>(Note 6)</i>

Notes:

1. The designed production capacity is an estimate based on our management's estimate of the number of products that our workforce at our Shenzhen Factory and Hong Kong Factory are capable of producing on an annual basis. The designed production capacity is derived from the assumption that we are in production for eight hours per day and 250 days per year, with the planned number of production workers, the planned production mix and the planned production capacity per worker per hour.
2. This represents the actual production volume of our products.
3. The utilisation rate is calculated based on the actual output for the relevant year divided by the designed production capacity during the corresponding year on an annual basis.
4. As compared to the year ended 31 March 2015, our actual production volume for bras for the year ended 31 March 2016 increased because we allocated more production capacity for the production of bras in response to the market demand for the year ended 31 March 2016.

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5. To the best of the knowledge, information and belief of our Directors, the high utilisation rates are mainly due to the fact that we adjusted our working hours and hired extra production staff on an as-needed basis to meet our business development needs during the Track Record Period. In the event that we need to increase our production capacity in response to higher market demand of our products in the near future, we are able to make adjustments to the work schedule of our production staff at our Shenzhen Factory and Hong Kong Factory.
6. The utilisation rate of our production facility was over 100% mainly because we utilised our production facility more than eight hours per day to meet the higher demand for our products during the year ended 31 March 2017.

During the Track Record Period, the aggregate utilisation rates of our Shenzhen Factory and Hong Kong Factory increased sharply from 79.9% for the year ended 31 March 2015 to 92.7% for the year ended 31 March 2016, and further increased to 116.7% for the year ended 31 March 2017. The adjustment of working hours at our Shenzhen Factory and Hong Kong Factory is only an interim and contingent measure to increase our production capacity in the short term. To alleviate the production capacity constraint and meet the anticipated increase in market demand, other than hiring more workers, we intend to set up a new factory in the PRC, purchase new cutting and sewing machines and employ production workers at this new factory. As the cutting and sewing machines can be used for the production of more than one kind of products, we intend to purchase new machinery depending on the actual increase in market demand of all our products to achieve the most cost-effective purchase plan. For details, see “— Business strategies” and “Future Plans and Use of Proceeds — Implementation plan”.

Machinery and equipment

Major production machinery and equipment used in our production facilities include sewing machines and cutting machines, all of which are readily available from multiple suppliers. We own all of our production machinery and equipment. The table below sets out information on our major machines as at the Latest Practicable Date.

	<u>Number of units</u>	<u>Estimated useful life</u>	<u>Average age (approximately) (Note 1)</u>	<u>Estimated remaining useful life (approximately) (Note 2)</u>
Sewing machines	118	10 years	6 years	4 years
Cutting machines	8	10 years	5 years	5 years

Notes:

1. The average age is calculated based on the aggregate age of the machinery divided by the number of units of the machinery.
2. The estimated remaining useful life is calculated based on the estimated useful life deducted by the average age of the machinery.

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Our maintenance staff carry out periodic inspections, and repair and maintenance where necessary, on our machinery and other equipment and we maintain records accordingly. We did not experience any material or prolonged interruptions to our production process due to equipment or machinery failure during the Track Record Period.

SUPPLIES AND PROCUREMENT

Supplies

Our major types of raw materials are fabrics, lace, elastic bands and garment accessories. We also purchase sourced finished products for resale. For details, see “— Suppliers — Suppliers of sourced finished products”. For the years ended 31 March 2015, 2016 and 2017, fabrics were our largest raw material purchase, representing approximately 41.7%, 43.8% and 45.4% of our total purchases, respectively. For the years ended 31 March 2015, 2016 and 2017, the costs of materials accounted for approximately 40.9%, 23.0% and 30.1% of our cost of sales, respectively. Our Directors confirm that we had not experienced any material shortage or quality issue of critical supplies which led to a material adverse impact on our business operations during the Track Record Period and up to the Latest Practicable Date.

Procurement

It is the usual practice of our procurement team to keep track of the market situation of our major supplies and to solicit quotations of relevant supplies from our approved suppliers. We conduct random sample tests on supplies upon delivery and return supplies that fail to pass our inspection (such as deformed fabrics or fabrics with unsatisfactory colour). Our Directors confirm that we had not discovered any significant disparity which may indicate serious quality problems for the supplies we procured during the Track Record Period and up to the Latest Practicable Date.

SUPPLIERS

Our suppliers are primarily located in the PRC, Hong Kong, Taiwan, Canada and Italy. Our suppliers mainly include (i) suppliers of fabrics, lace, elastic bands and garment accessories; (ii) suppliers of sourced finished products; and (iii) subcontractors who perform cloth dyeing. We maintain a list of approved suppliers for each major type of supplies. In general, the list contains a minimum of two suppliers for each major type of supplies. For new suppliers, we will usually check its relevant licence and certificate, and request for a sample of the supply and price quotation. Our procurement team will decide whether the sample meets our manufacturing and product requirements before approving or rejecting the new supplier. Before we place an order, our procurement team will evaluate various aspects of a supplier, including quality, price, ability to meet our requirements, past performance, production capacity and their acceptance level of our payment and delivery terms. Any supplier who fails to satisfy our quality and service requirements to a material extent (such as constantly failing to provide eligible materials or repeatedly failing to provide rectifications for the same problem to our satisfaction) upon review by our production material control team from time to time will be removed from our list. We are able to exercise considerable control over our sourcing exercises due to the vast number of available suppliers, which allows us to review and easily replace existing suppliers who fail to meet our expectations from time to time.

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Our five largest suppliers

Our purchases from our five largest suppliers for the years ended 31 March 2015, 2016 and 2017 accounted for approximately 55.6%, 47.1% and 42.7% of our total purchases, respectively. Our purchases from our largest supplier for the years ended 31 March 2015, 2016 and 2017 accounted for approximately 15.6%, 11.9% and 11.7% of our total purchases, respectively. We have developed stable relationships with our major suppliers over the years and the materials provided by such suppliers have a stable quality, which is beneficial to the consistent quality of our products.

The tables below set forth details of our five largest suppliers during the Track Record Period.

<u>Five largest suppliers for the year ended 31 March 2015</u>	<u>Approximate purchase amount</u> <i>HK\$'000</i>	<u>Approximate percentage of our total purchases</u> %
Supplier A	728	15.6
Supplier B	709	15.2
Supplier C	465	10.0
Supplier D	347	7.4
Supplier E	344	7.4
Total:	2,593	55.6

<u>Five largest suppliers for the year ended 31 March 2016</u>	<u>Approximate purchase amount</u> <i>HK\$'000</i>	<u>Approximate percentage of our total purchases</u> %
Supplier B	552	11.9
Supplier C	530	11.5
Supplier D	450	9.7
Supplier A	403	8.7
Supplier F	245	5.3
Total:	2,180	47.1

<u>Five largest suppliers for the year ended 31 March 2017</u>	<u>Approximate purchase amount</u> <i>HK\$'000</i>	<u>Approximate percentage of our total purchases</u> %
Supplier A	723	11.7
Supplier B	648	10.5
Supplier D	509	8.2
Supplier G	417	6.8
Supplier C	338	5.5
Total:	2,635	42.7

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<u>Supplier</u>	<u>Principal business</u>	<u>Principal materials provided by the supplier</u>	<u>Typical credit terms and payment method</u>	<u>Year of commencement of business relationship with our Group</u>
Supplier A	Production, processing and trading of fabrics, general activities in real estate, acquisition and disposal of equity investments as well as holding activities, assistance to other group members in the areas of strategic coordination, administration, technical, legal, sales, information technology and management	Fabrics	45 days, paid by cheque	2011
Supplier B	Processing, production and sales of clothing and clothing accessory	Elastic bands, bra straps and steel corbel sleeves	60 days after monthly statement, paid by bank transfer	2012
Supplier C	Production and sales of clothing, underwear accessory, bra cup and cloth, processing of sponge lamination	Fabrics	30 days after monthly statement, paid by bank transfer	2012
Supplier D	Trading of pet prescription, vitamins and skincare products	Breast cream	No credit term, paid by bank telegraphic transfer	2012
Supplier E	Design and sales of underwear accessories, underwear products, clothing accessories and underwear, domestic trading and import and export of goods and technology	Garment accessories	60 days after monthly statement, paid by bank transfer	2012
Supplier F	Sales of lace	Lace	30 days after monthly statement, paid by cheque	2013
Supplier G	Wholesale, import and export of clothes, costume, textile, bedding, home dress, children's products made of cloth, products for washing, footwear and headwear, leather products, various kinds of underwear, swimsuits, the semi-finished products and accessories of the above mentioned items and various kinds of cloth	Fabrics	No credit term, paid by bank transfer	2015

We generally do not enter into long-term agreement with our suppliers, which our Directors consider is in line with industry practice, as our Directors do not consider such arrangement necessary in light of the existence of an abundant supplier pool of similar products. Our material purchases are made on a purchase order basis, and we specify the product type, unit price, quantity, delivery time and other items in each purchase order we send to our suppliers. Payment terms granted by our suppliers vary depending on a number of factors including our relationships with them and the size of the transactions. We typically settle our trade payables by bank transfers or cheque. Delivery charges are typically borne by our suppliers in the PRC or by us if the relevant supplies are not from the PRC or Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material disagreement nor had any dispute with any of our suppliers.

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All of our five largest suppliers during the Track Record Period were Independent Third Parties. None of our Directors, their respective close associates or any of our Shareholders (whom to the knowledge of our Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers during the Track Record Period.

Suppliers of sourced finished products

We purchase sourced finished products for resale under our brand names, including bras, body shaping underwear, chest support vests, breast cream, panties, nude bras, bra straps and pads, and waist bands (excluding swimwear), from selected independent suppliers mainly located in Taiwan, Canada and the PRC, for the purpose of diversifying our product portfolio. Supplier D, one of our five largest suppliers during the Track Record Period, provides us with one kind of sourced finished product, namely breast cream. For the years ended 31 March 2015, 2016 and 2017, (i) purchases of sourced finished products accounted for approximately 18.3%, 24.5% and 19.0% of our total purchases; (ii) the sales of sourced finished products accounted for approximately 9.4%, 9.8% and 10.4% of our total revenue; and (iii) the gross profit margin of sourced finished product were approximately 85.0%, 87.4% and 84.9%, respectively.

Subcontractors

During the Track Record Period, we subcontracted cloth dyeing to two subcontractors, which were Independent Third Parties, as we do not have the necessary facilities. For the years ended 31 March 2015, 2016 and 2017, the total amounts paid for subcontracting works amounted to approximately HK\$125,000, HK\$327,000 and HK\$102,000, respectively, representing approximately 1.4%, 3.6% and 0.7% of our cost of sales for the corresponding year. We do not enter into any long-term subcontracting agreement with our subcontractors for flexibility. During the Track Record Period and up to the Latest Practicable Date, (i) we had not experienced any material difficulties in finding subcontractors; and (ii) our subcontractors were neither our employees nor agents and we were not a party to any employment arrangement between our subcontractors and their employees.

Credit terms and pricing

Our material purchases are primarily denominated in RMB, HK\$, US dollars, Canadian dollars and New Taiwan dollars. During the Track Record Period, we generally enjoyed no credit term to a credit term of 60 days from the date of monthly statement. Prices of the supplies we source vary based on the prevailing market prices. The prevailing market prices can be affected by general economic conditions and market demand and supply. Our pricing policy generally allows us to pass on any increased purchase cost of materials to our customers. We often seek price quotations from different suppliers and compare them before placing an order so as to secure a favourable rate. Our Directors consider that the prices of the supplies we sourced during the Track Record Period were consistent with the market prices, and believe that the purchase prices of the supplies we source will continue to follow the market prices under normal operating and market conditions.

As at the Latest Practicable Date, we had not entered into any hedging transactions.

QUALITY CONTROL

We believe the quality of our products is crucial to our continued success. We place strong emphasis on achieving consistently high quality for our products. Our quality control team is responsible for ensuring that we are in compliance with all internal policies and external standards such as relevant requirements under National General Safety Technical Code for Textile Products (GB18401-2010) (國家紡織產品基本安全技術規範(GB18401-2010)), Textile Industrial Standards on Brassiere of the PRC (FZ/T 73012-2008)* (中華人民共和國紡織行業標準：文胸 (FZ/T 73012-2008)) and Industrial Standards on Knitted Underwear with Chemical Fibres of the PRC (FZ/T 73024-2014)* (中華人民共和國紡織行業標準 — 化纖針織內衣 (FZ/T 73024-2014)). As at the Latest Practicable Date, our quality control team comprised nine staff, four of whom had an average of approximately six years of experience in our Group. Our quality control team was supervised by Mr. Chau Chun Yin, who joined our Group in June 2014 and has been responsible for quality control since then.

We implement stringent quality control measures throughout the production and retail processes to ensure the quality of our products.

- | | |
|---------------|---|
| Production | <ul style="list-style-type: none">● Our quality control staff monitor different stages of the production process● Visual inspection and testing are conducted to assess the quality of semi-finished products |
| Products | <ul style="list-style-type: none">● Each batch of finished products is subject to visual inspection and testing, and a final sample check before they are delivered to our warehouses or retail stores● We send samples to an independent qualified entity to conduct testing in order to comply with the applicable national and industrial standards |
| Retail stores | <ul style="list-style-type: none">● We require our staff to follow the requirements as to uniform, outlet setting and merchandise display set out in the staff handbook● Our senior management conducts random store visits and discusses any significant operational issues with the relevant shop managers● We collect feedback from the customers who receive our free personal alteration for bras, body shaping underwear and chest support vests● We require our head office to investigate all serious complaints received from our customers |

INVENTORY MANAGEMENT

We have undertaken a number of measures to manage our inventory levels with a view to reducing inventory surplus and the age of inventory held by us. For the years ended 31 March 2015, 2016 and 2017, our inventory turnover days were approximately 628.1 days, 808.8 days and 617.0 days, respectively. Our Directors believe that our relatively long inventory turnover days was mainly due to (i) the relatively large inventory of finished goods we held as we generally stored a wide range of our products with different colours, sizes and styles in each retail store so as to cater for the needs of our customers; (ii) our continuous release of new products; and (iii) the

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fact that we seldom offer discounts or markdowns on slow-moving products. For detailed analysis on our inventory level, see “Financial Information — Description and analysis of principal items in the consolidated statements of financial position — Inventories”. As the selling point of most of our products are their functionality, rather than mere style, we seldom conduct promotional sales to boost the sales of slow-moving products. Instead, we offer staff incentives to sell such products, including (i) offering packages with slow-moving products and other products at a discount; and (ii) providing slow-moving products as gifts to customers when their purchasing amount reaches a certain level.

Supplies

In order to avoid accumulating large inventories of supplies, we generally place orders for materials based on our production plan. Our information technology system keeps track of the inventory level of supplies.

Finished products

Generally, our products are stored in our warehouses in Hong Kong and the PRC before being distributed to our retail stores. Our warehouses generally deliver the finished products to our retail stores on an as-needed basis. Our information technology system is used to monitor inventory level and the sale of each product. To ensure accuracy of our inventory data, we will perform stock count in our retail stores quarterly. We compare results of the actual stock count against the inventory level recorded in our information technology system and will report promptly any discrepancy to our senior management. By monitoring the inventory levels, our management is able to obtain updated market information to facilitate the maintenance of adequate inventory levels, approve re-stock purchase orders initiated by in-store sales during daily operations and analyse sales and profit trends.

In addition, we have implemented the following measures to monitor our inventory levels: (i) our management monitors our inventory levels on a monthly basis by reviewing reports on slow-moving stock; (ii) our management makes appropriate adjustment to our product portfolio in order to capture customer preference based on the latest market information obtained through monitoring our inventory levels and discussion with the responsible sales managers; and (iii) our management may adopt different marketing plans to accelerate the sale of slow-moving stock within a reasonable period of time, which include special promotions and offering staff incentive in order to clear those slow-moving inventory. As at 31 March 2017, no provision had been made for our inventories.

WAREHOUSE AND LOGISTICS

As at the Latest Practicable Date, we operated Shenzhen Warehouse with an approximate gross floor area of 729 sq.m., which is located next to our Shenzhen Factory, for the storage of our finished products. We also have a storage area in our Shenzhen Factory for the storage of raw materials and a storage area in our Hong Kong Factory for the storage of finished products.

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We generally deliver products directly to our retail stores in Hong Kong from our Hong Kong Factory, while we deliver products to our retail stores in the PRC from our Shenzhen Warehouse. We engage independent third party logistics service providers for transits and delivery of our products and materials between Shenzhen and Hong Kong.

MARKETING, ADVERTISING AND PROMOTION

We adopt multi-faceted advertising strategies to raise our brand recognition and acceptance. Our marketing team consisted of four staff as at the Latest Practicable Date. For the years ended 31 March 2015, 2016 and 2017, our marketing and promotional expenses amounted to approximately HK\$4.1 million, HK\$3.8 million and HK\$5.8 million, respectively, representing approximately 19.4%, 16.5% and 17.8% of our selling expenses for the corresponding year. Our marketing strategies focus on the following areas:

Loyalty programme

We established our loyalty programme in 2008, which enables us to track our customers' preferences from time to time. As at 31 March 2017, through our loyalty programme, we had accumulated approximately 52,000 paid memberships, among which approximately 20,000 were active memberships with members who had made at least one purchase at any of our retail stores during the year ended 31 March 2017.

Hong Kong

Our customers in Hong Kong can apply for membership of our loyalty programme by purchasing our credit packages. Our members can enjoy different levels of discounts for their purchases, depending on the amounts of credit packages purchased by them. The following table sets forth the information about the discount offered to such members.

<u>Amount of credit packages</u>	<u>Discount</u>	<u>Prepaid Amount</u>
Equivalent to or more than HK\$2,000 but less than HK\$5,000	10%	Equivalent to or more than HK\$1,800 but less than HK\$4,500
Equivalent to or more than HK\$5,000 but less than HK\$9,000	20%	Equivalent to or more than HK\$4,000 but less than HK\$7,200
Equivalent to or more than HK\$9,000	30%	Equivalent to or more than HK\$6,300

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The table below sets forth the breakdown of the number of credit packages and the aggregate value of such credit packages purchased by our members during the Track Record Period:

<i>Amount of credit packages</i>	Year ended 31 March					
	2015		2016		2017	
	<i>Approximate number of credit packages purchased by our members</i>	<i>Aggregate amount of credit packages</i>	<i>Approximate number of credit packages purchased by our members</i>	<i>Aggregate amount of credit packages</i>	<i>Approximate number of credit packages purchased by our members</i>	<i>Aggregate amount of credit packages</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Equivalent to or more than HK\$2,000 but less than HK\$5,000	200	407.8	300	613.7	600	1,423.0
Equivalent to or more than HK\$5,000 but less than HK\$9,000	3,500	15,026.4	4,200	19,150.4	4,800	27,293.3
Equivalent to or more than HK\$9,000	4,500	55,770.5	5,000	64,031.2	6,100	86,948.5

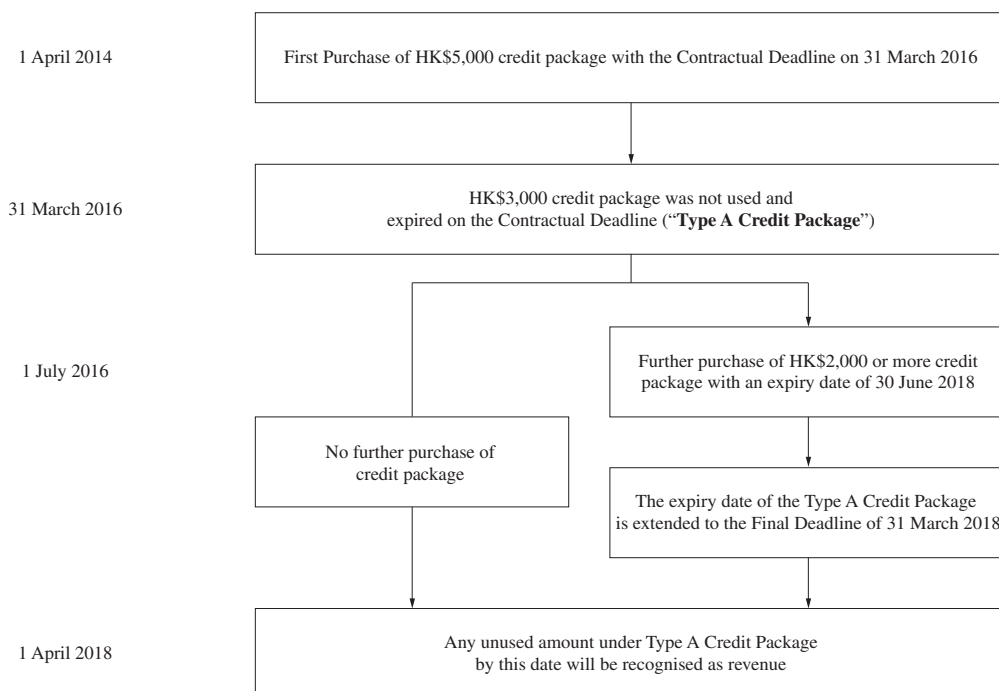
According to the Frost & Sullivan Report, credit packages are commonly adopted as a marketing strategy for retailers to attract customers in the retail industry. A number of lingerie companies in Hong Kong have issued bonus point cards or membership cards to their customers so that they can enjoy discounts or purchase certain promotional products. However, our Directors believe that, as at the Latest Practicable Date, no lingerie companies in Hong Kong offered credit packages.

We enter into a standard contract with our customers when they purchase our credit packages. The standard contract sets out the terms and conditions of our credit packages including, inter alia, the validity period, termination policies as well as the restrictions on our credit packages. Prepaid Amounts are normally settled by cash, EPS or credit cards. All redemptions under our credit packages are made in multiples of HK\$100.

Our credit packages in general have a contractual validity period of two years from the date of purchase of the original credit package (the “**First Purchase**”). Some members may not use up the Prepaid Amounts in full before their credit packages expire on the second anniversary of the First Purchase (the “**Contractual Deadline**”). Subject to our internal approval, our Group will as a matter of course extend the validity period of these members’ unused credit packages if they purchase further credit packages of not less than HK\$2,000 in value (i.e. our lowest priced credit package) at any time before the fourth anniversary of the First Purchase (the “**Final Deadline**”). If approved, the validity period of the unused Prepaid Amounts will be extended for up to two years commencing from the date immediately following the Contractual Deadline at the earliest. Such validity period can only be extended once up to the Final Deadline. Our members, under special circumstances which render them unable to wear our products such as pregnancy or other medical conditions, may, subject to our internal approval, also have their unused credit packages extended up to the Final Deadline. Ms. Luk Mo Yan, our head of Human Resources, Administration and Operation and a member of our senior management, is responsible for the grant of such approval.

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For the years ended 31 March 2015, 2016 and 2017, approximately 2,800, 2,500 and 2,000 credit packages with unused Prepaid Amounts of approximately HK\$3.7 million, HK\$3.5 million and HK\$4.1 million, respectively expired on the Contractual Deadline, and out of which approximately 600, 700 and 700 credit packages had their validity period extended through the purchase of further credit packages amounting to approximately HK\$5.3 million, HK\$5.7 million and HK\$5.4 million, respectively. Please see the example below for illustration purposes.



Prepaid Amounts are initially recorded as deferred revenue under current liabilities in our consolidated financial statements at the time of payment of First Purchase, and are subsequently recognised as revenue in our consolidated statements of profit or loss and other comprehensive income when a purchase is made, based on the effective selling prices of the relevant products. For financial reporting purpose, regardless of whether the validity period of the unused Prepaid Amounts is extended, on the Final Deadline, any unused Prepaid Amounts (i.e. the remaining deferred revenue) will be fully recognised as income from unused credit packages under revenue in our consolidated statements of profit or loss and other comprehensive income. Such income is regarded as revenue generated in the ordinary and usual course of our business. As our loyalty programme was established in 2008, we first derived revenue from such forfeited income since the financial year ended 31 March 2012. Please see notes 4 and 5 to the Accountants' Report in Appendix I to this prospectus for more details of our accounting policy in relation to our credit packages.

For the years ended 31 March 2015, 2016 and 2017, approximately HK\$40.1 million, HK\$47.4 million and HK\$63.6 million, representing approximately 85.6%, 88.6% and 86.0% of our revenue generated from the sales of our products, respectively, were derived from customers who had joined our loyalty programme and made purchases using credits in their credit packages.

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The table below sets out the details of changes of deferred revenue for credit packages for the years ended 31 March 2015, 2016 and 2017, respectively.

	For the year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred revenue for credit packages			
Opening balance as at the beginning of the year	38,734	47,027	59,284
Receipts from the sales of credit packages	52,444	61,764	85,581
Revenue recognised upon the sales of goods using credits in the credit packages	(40,057)	(47,350)	(63,627)
Income from unused credit packages	(4,094)	(2,157)	(3,748)
Closing balance as at the end of the year	47,027	59,284	77,490

For the years ended 31 March 2015, 2016 and 2017, our revenue recognised from unused credit packages amounted to approximately HK\$4.1 million, HK\$2.2 million and HK\$3.7 million, respectively, representing approximately 8.0%, 3.9% and 4.8% of our total revenue, respectively. Our Directors regard the income from unused credit packages during the Track Record Period as revenue generated in the ordinary and usual course of our business and is insignificant, and that it did not affect our business performance and financial result. See “Financial Information — Description and analysis of principal components in the consolidated statements of profit or loss and other comprehensive income — Income from unused credit packages” for more details.

Commission received by our sales staff is calculated based on their individual sales on credit packages and our products, as well as monthly sales of the retail store in which they are based.

Adequacy of inventory

Since our customers do not specify the products they will purchase when they purchase the credit packages, our customers can only purchase our products if it is available, i.e. in our inventories. Given that (i) we have a database to keep track of the purchasing pattern for members under the loyalty programme; and (ii) we have sufficient inventories with different colours, sizes and styles stored in each retail store as demonstrated by the relatively high inventory levels, our Directors are of the view, and the Sponsor concurs, that our Group is able to meet the customers’ demand from time to time.

Membership points

During the Track Record Period, customers who purchased our credit packages could earn membership points under our loyalty programme in Hong Kong. These membership points were granted when our members (i) purchased our credit packages; or (ii) paid any amount to purchase our products. Our members could earn 10 membership points for each HK\$1.0 they paid. Membership points are valid for one year from the date of grant and the validity period of these membership points cannot be extended. During the Track Record Period, membership points could be used to redeem our vouchers, which could be used as cash equivalent to pay for our products. For every 25,000 and 40,000 membership points, HK\$50 and HK\$100 cash vouchers, respectively, could be redeemed. There was no limit on the number of vouchers used by our customers in each transaction.

For the years ended 31 March 2015, 2016 and 2017, vouchers with fair value of approximately HK\$1.3 million, HK\$0.4 million and HK\$0.8 million, respectively, were issued and were used to purchase our products. The redemption of membership points for vouchers has been suspended since September 2016 due to a change in our marketing strategy. Our Directors confirm that our Group is in the process of considering alternative gifts for redemption. For details of the accounting treatment of the membership points, please see “Financial Information — Critical accounting policies, estimates and judgements — Deferred revenue”.

Complaint procedures

For details of our complaint procedure, see “— Our retail network — Network management and operation — Store level”. During the Track Record Period, three customers lodged complaints to the Consumer Council in Hong Kong. Two of which requested for, among other things, refund of their unused credits from us claiming that they felt uncomfortable when wearing our products whereas the other one requested for, among other things, an extension of the validity period of our credit packages or refund of the unused credits based on the reason that she does not often stay in Hong Kong. We provided detailed replies to the Consumer Council in Hong Kong in response thereto. Subsequently, such credit packages were used up and/or expired without any refund. We consider that these three complaints would not have a material impact on our business as the total amount involved amounted to approximately HK\$15,300 and is insignificant when compared with our revenue.

Refund policy on credit packages

If our customers wish to apply for an early termination of their credit packages due to personal reasons, they must submit the supporting documents as requested by us. If such applications are approved, an administration fee, which is equivalent to 10% of the remaining balance of credits, will be charged to our customers and they shall settle the administration fee by cash. All the products purchased between the date of purchase of the credit package and the date of termination of the credit package shall be charged at their original price. For the years ended 31 March 2015, 2016 and 2017, such refunds amounted to HK\$29,300, HK\$182,600 and HK\$327,000, respectively. During the years ended 31 March 2015, 2016 and 2017, our Group sold credit packages valued at approximately HK\$71,698,000, HK\$84,194,000 and HK\$116,050,000, respectively. The proportion of refund as a percentage of value of credit package sold during the years ended 31 March 2015, 2016 and 2017 represented approximately

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0.04%, 0.22% and 0.28%, respectively. Our Directors are of the view that since (i) there is an increase in sales of the credit packages; and (ii) the proportion of refund as a percentage of value of credit package sold during the years ended 31 March 2015, 2016 and 2017 were relatively low, such refund amounts were acceptable.

Other policies

We have also adopted the Consumer Council Good Corporate Citizen Guide issued by the Consumer Council in Hong Kong. The guide consists of principles covering various aspects of business operations such as advertising and marketing, price indication, quality and safety and complaint handling, aiming to promote consumer welfare and to protect consumers from harmful and unscrupulous trade practices.

Books and records

Our information technology system records the change and expiration of customers' credit packages.

PRC

Our customers in the PRC can apply for membership of our loyalty programme by making any purchase at our retail stores in the PRC. Such members can purchase our Member Vouchers with different discounts, depending on the quantity of Member Vouchers purchased. The following table sets forth the information about the discount offered to such members.

<u>Number of Member Vouchers</u>	<u>Discount</u>
Equivalent to or more than 20 but less than 50 Member Vouchers	10%
Equivalent to or more than 50 but less than 90 Member Vouchers	20%
Equivalent to or more than 90 Member Vouchers	30%

The validity period of each Member Voucher is three years from the date of purchase. The Member Voucher can only be redeemed in our retail stores in the PRC and all redemptions are made in multiples of Member Vouchers. For any redemption amount less than RMB100, customers may choose to either pay in cash or redeem the product with a Member Voucher at the price rounded up to the nearest RMB100. Any unused Member Voucher could be refunded before the expiry of the validity period. After the expiry of the validity period, holders of the Member Voucher could request for a refund or continue to use the expired Member Voucher to purchase our products at their discretion. The accounting treatment of Member Vouchers is initially recorded as deferred revenue under current liabilities in our consolidated financial statements at the time of payment, and is subsequently recognised as revenue in our consolidated statements of profit or loss and other comprehensive income when a purchase is made, based on the effective selling prices of the relevant products. Sales of Member Vouchers commenced in May 2016. As at 31 March 2017, a nominal value of approximately RMB81,500 of Member Voucher remained outstanding.

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Our brand's spokesperson

During the Track Record Period, we engaged an actress as our brand's spokesperson for our core brand "BODyBra". The photos of such spokesperson had been used in our brochures, advertisements, websites and display in our retail stores. Our Directors consider that our brand's spokesperson had represented our core brand and thereby had helped to increase brand awareness and sales. Our engagement with such spokesperson expired on 31 December 2016. We intend to engage another spokesperson for our core brand. Our Directors confirm that we had not identified any suitable candidate as spokesperson as at the Latest Practicable Date.

Other advertising media

We advertise through different media including (i) various selected fashion or lifestyle magazines and newspapers, websites, television commercials, social media; and (ii) on buses, public signboards and in mass transit railway stations. We also issue vouchers at product fairs. During the year ended 31 March 2016, we changed our principal advertising platform from traditional platforms in print media such as magazines, newspapers, bus banners to e-platforms such as social media and an online video sharing platform. Following the success in our marketing campaign on social media and online video sharing platform which drove the increase in our sales during the years ended 31 March 2016 and 2017, we intend to adhere to such marketing strategy in Hong Kong and the PRC.

Promotional activities

Our promotional activities include (i) providing customers with discounts through our loyalty programme, gifts or vouchers when the purchasing amount reaches certain levels; and (ii) advertising our old bras recycling programme. We also participate in promotional activities and marketing campaigns organised by the shopping malls in which our retail stores are located from time to time.

CUSTOMERS

Our customer base comprises mostly retail customers in Hong Kong, and a small number of retail customers in the PRC, who purchase our products directly from our retail stores. Save for direct in-store retail sales, we did not employ any other sales channel to reach more potential customers. For the years ended 31 March 2015, 2016 and 2017, the total number of transactions made by our customers to purchase our products were approximately 38,000, 42,000 and 55,000, respectively, and we had approximately 15,000, 16,000 and 20,000 active memberships under our loyalty programme, respectively, who made at least one purchase at one of our retail stores within the respective 12-month period. We had no customer who contributed, or any five customers who collectively contributed, 30% or more of our total revenue for the years ended 31 March 2015, 2016 and 2017.

Seasonality

Our sales performance is slightly affected by seasonality. We generally record higher revenue during major holidays or festivals, such as Christmas and Chinese New Year, which fall in or about the months of December, January and February.

Credit and payment terms

Generally, customers purchase our products by cash, credit card or EPS, or by using credits in their credit packages or Member Vouchers. During the Track Record Period, a majority of our revenue was settled through Prepaid Amounts in our customers' prepaid credit packages. For details of our credit package, see “— Marketing, advertising and promotion — Loyalty programme”.

AFTER-SALES SERVICES

Our after-sales services mainly include provision of personal alteration services to our customers. Our personal alteration services would be free of charge if the alteration request was made by our customers (i) within three months from the date of purchase for bras; and (ii) within six months from the date of purchase for body shaping underwear and chest support vests. Any alteration request made after the above periods but within two years from the date of purchase will be accepted but subject to charges.

We do not offer any warranty for our products. If issues regarding product quality were raised by our customers, we typically would first negotiate with our customers to resolve such issues on a case by case basis. Depending on the outcome of our negotiations, our customers may return non-conforming products and we may replace such products free of charge. Generally, our customers can exchange our product if it is in unused condition with an original receipt within seven days from date of purchase. We do not accept return or refund for panties.

We have established procedures for handling customer complaints. Customers can make complaints in person, through telephone or email, and we investigate all complaints lodged. During the Track Record Period, we had not received any major complaint from our customers in relation to the quality of the products we sold.

Given that we have stringent quality control measures, the aggregate value of our returned products due to quality issues was insignificant as compared with our revenue during the Track Record Period. During the Track Record Period, we had not recorded any incident of product recall, significant amount of product return or major product liability claim.

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EMPLOYEES

Number of staff

As at 31 March 2015, 2016 and 2017, we had a total of 102, 129 and 148 full-time employees, respectively. The following table shows a breakdown of our staff by functions and by geographical locations as at the Latest Practicable Date.

Function	Number of staff		
	Hong Kong	PRC	Total
Senior management	6	—	6
Human resources and administration	5	13	18
Sales and marketing	23	5	28
Production	17	48	65
Procurement and warehousing	11	6	17
Product design, development and quality control	2	8	10
Accounting	5	3	8
Information technology	1	0	1
Total	70	83	153

Training and recruitment

During the Track Record Period and up to the Latest Practicable Date, we had not engaged any employment agent in Hong Kong or the PRC for our staffing needs. For the recruitment of employees responsible for production, we generally prefer to recruit experienced staff. We also provide training (annually or upon material relevant developments) to our staff, including our executive Directors, to enhance their knowledge and skills on matters such as occupational safety and updates on rules and regulations related to marketing and promotions.

Labour unions, staff turnover and any labour disputes

As at the Latest Practicable Date, we had no workers' union. Our staff turnover rate was approximately 23.5%, 21.4% and 23.7% for the years ended 31 March 2015, 2016 and 2017, respectively. According to the Frost & Sullivan Report, it is not unusual for manufacturing and retail industries to have a relatively high staff turnover rate. We had not experienced any significant difficulty in recruiting employees nor have we had any significant staff compensation, labour disputes or labour strikes during the Track Record Period and up to the Latest Practicable Date. We consider that we have maintained satisfactory relationship with our employees.

Staff remuneration and benefits

We conduct performance appraisals on our staff on an annual basis. We use such appraisals as a reference to review the annual salary and consider the promotion prospects of our staff. We seek to motivate our in-store sales with performance-based bonus and commission in addition to their basic salary. Furthermore, we provide internal discount to our employees to purchase our products.

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In Hong Kong, we have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). All requisite contributions had been paid by our Group in accordance with the aforesaid law as at the Latest Practicable Date.

In the PRC, our Group has participated in the basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance and maternity insurance prescribed by the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on 28 October 2010 and became effective on 1 July 2011, and housing provident fund prescribed by the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) which was promulgated and became effective on 3 April 1999, as amended on 24 March 2002.

As advised by our PRC Legal Advisers, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had complied with the relevant labour, social insurance and housing provident fund laws and regulations in the PRC in all material respects, and no penalty was imposed on our Group by any PRC governmental authorities in relation to any labour, social insurance and housing provident fund matters.

Health and work safety

As we have operations in Hong Kong and the PRC, we are subject to various laws and regulations in Hong Kong and the PRC to maintain safe production conditions and to protect the occupational health of employees. For details, see “Regulatory Overview”.

We have our own staff safety manual, which sets out work safety measures to prevent common accidents which could happen at our retail stores and production facilities to promote occupational health and safety and to ensure compliance with the applicable laws and regulations. We also provide on-going training to our production workers in relation to safety. Both Mr. Lam Ka Yuen, who is in charge of the operation of our Shenzhen Factory and Hong Kong Factory, and Mr. He Huisheng, who is in charge of the safety production and machine maintenance, obtained the junior safety director qualification* (初級安全主任資格) in July 2012.

Our Directors confirm that there were no material accidents, health injuries or any breach of relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL PROTECTION

As we are engaged in manufacturing in Hong Kong and the PRC, we are subject to various environmental protection laws and regulations. For details, see “Regulatory Overview”. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had complied with all the applicable laws and regulations in Hong Kong and the PRC relating to environmental protection in all material respects, and no penalty was imposed on our Group by any relevant authorities in Hong Kong and the PRC in relation to any environmental matters. During the Track Record Period, we had not incurred any material cost to comply with applicable environmental protection rules and regulations in Hong Kong and the PRC. Our Directors consider that such cost of compliance will not be material going forward.

AWARDS AND CERTIFICATE

In June 2016, the Hong Kong Brand Development Council granted us the right to use the “Made in Hong Kong Mark” on certain specified bras, panties, body shaping underwear and chest support vests under the brand “BODIBRA”. We have received a certificate from the Hong Kong Tourism Board certifying that “BodiBra” complies with the assessment criteria of the Quality Tourism Services Scheme (優質旅遊服務計劃) and is authorised to use the Certification Mark upon “Retail Shops” Category (零售商戶類別之證明商標).

MARKET AND COMPETITION

We operate in a fast-growing retail industry. According to the Frost & Sullivan Report, the total retail sales value of functional lingerie in Hong Kong and the PRC grew at a CAGR of approximately 11.0% and 26.0%, respectively, from approximately HK\$169.9 million and RMB4.7 billion for the year ended 31 December 2011 to approximately HK\$286.7 million and RMB14.9 billion for the year ended 31 December 2016, respectively. Such growth is attributable to a number of factors, including but not limited to, (i) consistent increase in disposable income and consumer expenditure; and (ii) higher market demand for lingerie with more emphasis on body shaping. For details, see “Industry Overview — Functional lingerie market overview”.

According to the Frost & Sullivan Report, (i) there were approximately 40 market players in the functional lingerie market in Hong Kong as at 31 December 2016 and the top five leading market players had a market share of approximately 91.7% in terms of retail turnover for the year ended 31 December 2016, which is highly concentrated; and (ii) there were over 1,500 market players in the functional lingerie market in the PRC as at 31 December 2016 and the top five leading market players had a market share of approximately 24.0% in terms of retail turnover for the year ended 31 December 2016, which is relatively concentrated. For details, see “Industry Overview — Competitive landscape”. Our Directors believe that we compete on our leading market position, in-depth experience, strategic product positioning, competitive pricing and retail network in prime shopping areas.

INSURANCE

For our Hong Kong operations, we have purchased insurance for, amongst other things, the assets in Hong Kong Factory, all of our retail stores and office in Hong Kong, with insurance coverage on our contents and stock, business interruption, money, employees’ compensation and public liability.

For our PRC operations, we have purchased (i) property all risks insurance for our Shenzhen Factory, warehouse and retail stores in the PRC; (ii) public liability insurance for our retail stores in the PRC; and (iii) compulsory traffic insurance for our motor vehicles. We have made contributions to pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance for our employees in the PRC in compliance with relevant PRC laws and regulations.

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We do not maintain product liability insurance for our products and our Directors believe that our insurance coverage is adequate for our operations. According to the Frost & Sullivan Report, this is in line with the industry norm in Hong Kong and the PRC. During the Track Record Period and up to the Latest Practicable Date, we had not made, nor been the subject of, any material insurance claim.

PROPERTIES

During the Track Record Period and up to the Latest Practicable Date, we had not owned any property. As at the Latest Practicable Date, we had entered into lease agreements for a total of 16 properties in Hong Kong and the PRC, out of which 11, two, two and one were used as our retail stores, offices, factories and warehouse, respectively. All our landlords were Independent Third Parties as at the Latest Practicable Date. We consider the leasing arrangement advantageous to our overall business plan as it helps to reduce our initial capital outlay and allows us to concentrate our capital resources on our business operation. As at the Latest Practicable Date, we had no intention to acquire any properties for the purpose of our retail stores. For the years ended 31 March 2015, 2016 and 2017, our rental and related expenses accounted for approximately 25.9%, 27.0% and 22.2% of our revenue, respectively.

Our Directors and senior management are responsible for negotiating with our landlords in relation to the entering into of new lease agreements and the renewal of the existing lease agreements. When renewing the existing lease agreements, we consider various factors, including but not limited to, customer flow, performance of the retail store and increment in rent. For details of the lease agreements of our retail stores as at the Latest Practicable Date and our plans in respect of those lease agreements which will expire in around one year, see “— Our retail network — Our retail stores”.

As at the Latest Practicable Date, we intended to renew the lease agreements in respect of our Hong Kong Factory, Shenzhen Factory, Shenzhen Warehouse and our offices upon expiry. Our Directors confirm that they had not received any indication from landlords that any of such leases might not be renewed upon expiry as at the Latest Practicable Date. For details of the lease agreements of our Shenzhen Factory and Hong Kong Factory, see “— Production — Production facilities”. The table below sets out a summary of other properties leased by us as at the Latest Practicable Date.

<u>Address</u>	<u>Our use of property</u>	<u>Current term of the lease</u>	<u>Rental</u>
11th Floor of Linkchart Centre of No. 2 Tai Yip Street, Kowloon, Hong Kong	Office	From 1 March 2016 to 28 February 2018, with an option to renew for a further term of two years	Monthly fixed rent

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<u>Address</u>	<u>Our use of property</u>	<u>Current term of the lease</u>	<u>Rental</u>
19/F, Building B, Hong Long Shi Ji Plaza, Intersection between Shen Nan Zhong Road and He Ping Road, Luohu District, Shenzhen, the PRC	Office	From 6 November 2015 to 5 November 2017	Monthly fixed rent
3rd Floor, Factory 4, No. 51 Ge Zhen Dong Road, Ping Hu Community, Ping Hu Street, Long Gang District, Shenzhen, the PRC	Warehouse	From 1 September 2016 to 31 August 2018	Monthly fixed rent

INTELLECTUAL PROPERTY RIGHTS

Our Group's intellectual property rights are important to our business. As at the Latest Practicable Date, we had registered the trademark "BOD**Y**bra" in Hong Kong. For details of our intellectual property rights, see "Further information about the business of our Group — 8. Intellectual property rights of our Group" in Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by any third party or (ii) by any third party of any intellectual property rights owned by our Group. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we were not aware of any pending or threatened claims against any member of our Group relating to the infringement of any intellectual property rights owned by third parties.

LICENCES, PERMITS AND APPROVALS

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained and maintained all statutory licences, certificates, permits and approvals as required under the Hong Kong laws and the PRC laws to carry on the manufacturing and retailing of lingerie in Hong Kong and the PRC.

As advised by our PRC Legal Advisers, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained all the necessary permits, certificates and licences for the manufacturing and retailing of lingerie in the PRC.

INTERNAL CONTROL AND RISK MANAGEMENT

We recognise the need for risk management and internal control in our strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks that may impact the continued efficiency and effectiveness of our

BUSINESS

operations or prevent it from achieving its business objectives. For details on risks faced by our Group, see “Risk Factors”. All such risks may arise from time to time in connection with the operations of our Group.

Our Board and senior management are responsible for identifying and analysing the risks associated with their respective function, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans and reporting status of risk management. For details on the qualifications and experiences of the members of our Board and senior management, see “Directors and Senior Management”.

We engaged an internal control consultant in March 2016 to perform a detailed evaluation of our Group’s internal control system including the areas of financial, operation, compliance and risk management and we have implemented the relevant internal control measures based on the recommendation of that internal control consultant including but not limited to the following:

- (i) we have adopted an internal control policies and procedures manual since May 2016 which includes the following:
 - (a) our Board conducts a thorough examination of any material risks associated with any material business decision before making or approving such decision;
 - (b) our senior management monitors daily operations and any associated operational risks of our Group. They are also responsible for identifying and assessing potential market risks related to changes in macroeconomic environment and movements in market variables and report irregularities in connection with operational and market risks to the executive Directors for formulating policies to mitigate these risks;
 - (c) we will provide trainings to our employees every six months in order to enhance their industry knowledge to manage our operational risks;
- (ii) we established an audit committee on 16 January 2017 which comprises three independent non-executive Directors to review and monitor the effectiveness of our financial controls, internal control and risk management systems;
- (iii) we have established an inventory management policy since May 2016 to monitor our inventory level. For details, see “Business — Inventory management”;
- (iv) we have established policies and procedures on intellectual property management since May 2016 in order to, among other things, protect our intellectual property including trademarks and registered designs;
- (v) we have established a shop operational policy since May 2016 to provide guidance for procedures of shop launching or shop close-down, which includes, without limitation, the requirement of pre-assessment and examination before entering into a significant lease agreement by our Group;

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- (vi) our Directors attended a training conducted by our legal advisers as to Hong Kong law on 5 July 2016 on, among other things, the on-going obligations, duties and responsibilities of directors of listed companies under certain applicable laws and regulations;
- (vii) we appointed Mr. Fok Wai Hung, a member of the Association of Chartered Certified Accountants and a certified public accountant of the HKICPA, as our financial controller on 16 January 2017 and company secretary on 27 May 2016. He is primarily responsible for the overall financial management and reporting and company secretarial matters of our Group;
- (viii) we appointed Lego Corporate Finance Limited as our compliance adviser on 19 July 2016 to advise our Group on GEM Listing Rules compliance matters upon Listing;
- (ix) we engaged an external Hong Kong legal adviser on 14 July 2016 to advise us on matters such as our Group's marketing materials and general legal issues concerning our Group's daily business operations; and
- (x) we have adopted specific measures since May 2016 in relation to the compliance with the TDO. For details, see “— Legal compliance and proceedings”.

In addition, we will appoint (i) an internal control consultant to provide advice and review our internal control system regarding internal control matters on a regular basis after Listing; and (ii) external Hong Kong and PRC legal advisers after Listing to advise us on compliance with and to provide us with updates on the changes in the GEM Listing Rules and the applicable Hong Kong and PRC laws, rules and regulations from time to time and as required, including reviewing our marketing materials before distribution. With the assistance of our external Hong Kong and PRC legal advisers, the compliance adviser, the internal control consultant, our compliance officer and company secretary, we aim to maintain effective internal control system and corporate governance measures upon Listing, as well as ensure that our Group's operations are in compliance with the applicable laws, rules and regulations with respect to our business operations in Hong Kong and the PRC.

LEGAL COMPLIANCE AND PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

Our Directors confirm that, we had complied with applicable laws and regulations in all material respects in Hong Kong and the PRC during the Track Record Period and up to the Latest Practicable Date, save and except that we committed a one-off breach of the TDO regarding the use of two descriptions in an advertising material during the Track Record Period. As advised by our TDO Legal Counsel, the fine for each breach is unlikely to exceed HK\$150,000, which our Directors consider immaterial to the business operations and financial conditions of our Group. Our TDO Legal Counsel is also of the view that the chance of prosecution is low and in the unlikely event of prosecution, the chance of imprisonment of our Directors is remote.

BUSINESS

In order to ensure continued compliance with the Competition Ordinance, our Group will implement the following measures:

1. our executive Directors have reviewed and will review the current publications and guidance materials issued by the Competition Commission established under the Competition Ordinance to understand the requirements and implications of the Competition Ordinance;
2. we will circulate the training materials to all relevant staff in relation to the Competition Ordinance (including but not limited to the current publications and guidance materials issued by the Competition Commission) detailing what conducts are in breach of the Competition Ordinance;
3. our executive Directors will regularly review our business practices to identify and classify the potential risks, and take appropriate measures to mitigate and manage them; and
4. we will from time to time seek advice from professional advisers on the effect of the Competition Ordinance on our business operations to ensure due compliance of the Competition Ordinance.

Furthermore, our Group has adopted the following measures since May 2016 to ensure compliance with the TDO:

1. all marketing materials will be reviewed by Mr. Yiu, our chief executive officer and executive Director, before distribution to the public;
2. our Group has engaged an external legal adviser to assist our Group in reviewing and ensuring all marketing materials comply with the legal and regulatory requirements before distribution to the public; and
3. with the aid of our external legal adviser, our Group will conduct trainings regarding compliance issues annually and/or upon any updates with the TDO to our executive Directors and the staff responsible for the marketing materials, and will circulate training and guidance materials.

Given that the breach of the TDO described above is one-off and non-recurring and no further breach of the TDO occurred since the adoption of the abovementioned measures, our Directors are of the view that, and the Sponsor concurs, the above measures are adequate and effective to avoid non-compliance with the TDO in the future.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Public Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), each of our ultimate Controlling Shareholders, Mr. Chan and Mr. Yiu, acting in concert as a group of Controlling Shareholders and through their holding company (namely Global Succeed) indirectly held in aggregate 75% interest in our Company. Please see “Substantial Shareholders” for details of the shareholding interest of our Controlling Shareholders.

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders and Directors has confirmed that, he/she/it does not have and their respective close associates do not have interest in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

ACTING IN CONCERT CONFIRMATION

In preparation for the Listing, on 5 July 2016, Mr. Chan and Mr. Yiu executed the Acting in Concert Confirmation, pursuant to which Mr. Chan and Mr. Yiu confirmed their acting in concert arrangements in the past, as well as their understanding, during the Track Record Period, and to continue to act in the above manner in our Group upon Listing until the Acting in Concert Confirmation is terminated in writing. Under the acting in concert arrangements, Mr. Chan and Mr. Yiu had exercised their voting rights unanimously at all shareholders’ meetings of Winterchase, My Heart Lingerie, My Heart Factory, Hua Xin Si and Xin Xin, in respect of the management, operations and financial matters.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having taken into account of the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

Financial independence

We have our own accounting and finance team and make financial decisions according to our own business needs. As at the Latest Practicable Date, our Group had a banking facility that was guaranteed by our Controlling Shareholders, details of which are set out in “Financial Information — Indebtedness — Banking facilities”. Such guarantee will be released upon Listing and will be replaced by corporate guarantee from our Company. All amounts due from/to our Controlling Shareholders and/or related parties, which are non-trade nature, will be fully settled in cash before the Listing. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by our operating income and bank borrowings.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors believe that, upon Listing, our Group is capable of obtaining financing from third parties without the support of our Controlling Shareholders. Therefore, our Group will be financially independent from our Controlling Shareholders and/or any of their respective close associates.

Operational independence

Having considered that (a) we have established our own operational structure comprising individual teams, each with specific areas of responsibilities including sales and marketing, administrative and human resources, accounting, and production; (b) we have established a set of internal control procedures to facilitate the effective operation of our business; (c) all the registered trademarks, designs and other intellectual property necessary or desirable for our business are registered in or has applied to be registered under the name of our Group; (d) we have our own production lines and have independent access to suppliers and customers who are predominately members of the public; and (e) we have not entered into any connected transaction with our Controlling Shareholders or their respective close associates that will continue after the Listing, our Directors consider that our Group's business operation to be independent from our Controlling Shareholders and their close associates.

Management independence

Our Group's management and operational decisions are made by our Board and a team of senior management. Our Board consists of five members, comprising of two executive Directors and three independent non-executive Directors. Although our Controlling Shareholders, namely Mr. Chan and Mr. Yiu, will simultaneously be our executive Directors and retain a controlling interest in our Company after the Listing, we consider that our Board and team of management will function independently because:

- (a) each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum;
- (c) with three independent non-executive Directors out of a total of five Directors in our Board, there will be a sufficiently robust and independent voice to the decision making process of our Board to protect the interests of our independent Shareholders; and
- (d) our senior management members are independent and possess in-depth experience and understanding of the industry in which our Group is engaged.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

EXCLUDED BUSINESS

During the Track Record Period and up to the Latest Practicable Date, Mr. Chan, the chairman of our Board, an executive Director and a Controlling Shareholder, is interested in the following business which is not included in our Group.

SZ BodiBra

SZ BodiBra was established as an individually-owned business in the PRC on 9 September 2011, which was wholly-owned by Mr. Chan immediately before its deregistration in December 2016. Its principal business is the sale of female lingerie and clothing. SZ BodiBra was established under the Regulation on Individual Industrial and Commercial Households 《個體工商戶條例》 issued by the State Council on 16 April 2011 and revised on 6 February 2016, pursuant to which the organisational form of an individual business cannot be an enterprise. After considering our Group's intention to enter into the PRC lingerie market, SZ BodiBra has ceased operations since December 2015 and deregistered on 9 December 2016. As such, the business of SZ BodiBra was not included in our Group. As advised by our PRC Legal Advisers, SZ BodiBra was not involved in any material non-compliance or litigation and claims prior to its cessation of operations in December 2015. During the Track Record Period, Hua Xin Si has entered into related party transactions with SZ BodiBra regarding the sale and purchase of lingerie products, which were carried out in the ordinary course of our business and on normal commercial terms. Such related party transactions are disclosed in Note 29 to the Accountants' Report in Appendix I to this prospectus. Based on the unaudited management accounts of SZ BodiBra, it recorded a net loss before tax of approximately HK\$122,000 and HK\$547,000 for the years ended 31 March 2015 and 2016, respectively. Mr. Chan had been the operator of SZ BodiBra since 14 November 2012 up to its deregistration on 9 December 2016.

Our Directors are of the view that to the best of their knowledge and belief, none of our Controlling Shareholders and their respective close associates has interests in businesses which compete, or may compete, either directly or indirectly with our business.

DEED OF NON-COMPETITION

For the purpose of Listing, each of our Controlling Shareholders, Mr. Chan, Mr. Yiu and Global Succeed (collectively, the “**Covenantors**”) has given certain non-competition undertakings in favour of our Company (for itself and each of our subsidiaries) under the Deed of Non-competition, pursuant to which each of the Covenantors, irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for itself and as trustee for other members of our Group) on the following terms with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and the Covenantors, individually or collectively with their close associates, are, directly or indirectly, interested in not less than 30% of our Shares in issue, or are otherwise regarded as Controlling Shareholders:

- (i) *undertaking not to engage in competing business*: each of the Covenantors shall not, and shall procure each of his/its close associates (other than our Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly (other than through our Group), whether as a shareholder, director, employee, partner, agent or otherwise (other than being a director

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

or shareholder of our Group or members of our Group), carry on or be engaged in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest (save for the holding in aggregate by the Covenantors and their close associates of not more than 5% shareholding interest in any company listed on the Stock Exchange or any other stock exchange) or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by our Group (“**Restricted Business**”);

- (ii) *undertaking not to solicit staff etc.:* each of the Covenantors:
- a. will not, and will procure his/its close associates (other than our Group) not to, invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition;
 - b. will not offer employment to, enter into a contract for the services of, or attempt to solicit or seek to entice away from our Group any individual who is a director, officer, manager or employee of our Group, or procure or facilitate the making of any such offer or attempt by any other person;
 - c. will not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as the Controlling Shareholder for any purposes other than for the exercise of shareholders’ rights; and
 - d. he/it will address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or our Company from time to time;
- (iii) *undertakings in respect of new business opportunity:* if each of the Covenantors and/or any of his/its close associates (other than our Group) is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/it shall:
- a. promptly in any event not later than seven days from the date of offer or becoming aware of the New Business Opportunity notify our Company in writing (“**Offer Notice**”) of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and
 - b. use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates (other than our Group).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

If our Group gives a written notice declining the New Business Opportunity and confirming that the New Business Opportunity would not constitute competition with the business of our Group, or if our Group has not sent such written notice to the Covenantors within 30 business days from our Group's receipt of the Offer Notice, the Covenantors will be entitled to pursue the New Business Opportunity. The Covenantors agree to extend the 30 business days to a maximum of 60 business days if our Group requires further time to assess the New Business Opportunity by giving a written notice to the Covenantors within the original period of 30 business days.

(iv) *general undertakings*: each of the Covenantors shall:

- a. provide our Company and our Directors (from time to time) with all information necessary and requested by the independent non-executive Directors, including but not limited to monthly turnover records and other relevant documents considered necessary by the independent non-executive Directors for their annual review with regard to the compliance and/or enforcement of the terms of Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;
- b. provide our Group, after the end of each financial year of our Company, with a declaration made by each of the Covenantors which shall state whether or not he/it has during that financial year complied with all the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosure in the corporate governance report of our Group; and
- c. allow our Directors, their respective representatives and the auditors to have sufficient access to the records of the Covenantors and his/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

Each of the Covenantors has undertaken to our Company that he/it will abstain from voting on the board level or the shareholder level of our Company and will not be counted in the quorum if there is any actual or potential conflict of interest in relation to the Restricted Business and the New Business Opportunity.

To ensure that the terms of the Deed of Non-competition are observed, our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and the enforcement of the Deed of Non-competition; and (ii) all the decision made by our Group in relation to whether to take up any New Business Opportunity.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES TO SAFEGUARD THE INTEREST OF SHAREHOLDERS

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) compliance with the GEM Listing Rules, in particular strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules where applicable;
- (b) appointment of Lego Corporate Finance Limited as our Compliance Adviser to advise us on the compliance matters in respect of the GEM Listing Rules and applicable laws and regulations;
- (c) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the meetings of the Board on matters in which such Director or his/her close associates have an actual or potential material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (d) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. Our independent non-executive Directors will conduct annual review on the compliance of the Deed of Non-competition and the enforcement thereby by our Company. We believe our independent non-executive Directors possess the qualification, integrity and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Further details of our independent non-executive Directors are set out in "Directors and Senior Management";
- (e) our Controlling Shareholders have undertaken and agreed to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (f) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors in relation to the compliance with and the enforcement of the Deed of Non-competition either through our Company's annual report or by way of announcement to the public.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of five Directors comprising two executive Directors and three independent non-executive Directors. The following table sets out the information regarding the members of the Board:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Relationship among Directors	Roles and responsibilities
<i>Executive Directors</i>						
Mr. Chan Lin So Alan (陳麟書)	37	Chairman and executive Director	31 October 2011	27 May 2016	N/A	Overall strategic planning, business development, corporate management and overall performance of our Group and serving as member of nomination committee
Mr. Yiu Koon Pong (姚冠邦)	34	Chief executive officer and executive Director	31 October 2011	27 May 2016	N/A	Formulating corporate and business strategies and making major operation decisions
<i>Independent non-executive Directors</i>						
Mr. Wong Tin King Richard (黃天競)	39	Independent non-executive Director	13 January 2017	13 January 2017	N/A	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation, and serving as chairman of the audit committee, member of the remuneration committee and nomination committee
Mr. Li Fu Yeung (李富揚)	38	Independent non-executive Director	13 January 2017	13 January 2017	N/A	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation, and serving as chairman of the remuneration committee, member of the audit committee
Ms. Chow Ting Hei Haily Josephine (鄒婷晞)	50	Independent non-executive Director	13 January 2017	13 January 2017	N/A	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation, and serving as chairman of the nomination committee, member of the audit committee and remuneration committee

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management comprises the following persons:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Relationship with Directors and other senior management</u>	<u>Roles and responsibilities</u>
Mr. Fok Wai Hung (霍偉雄)	40	Company secretary and financial controller	1 December 2014	N/A	Financial management and reporting, and company secretarial matters of our Group
Ms. Tong Ching Yee (湯靜儀)	64	Research and development manager	20 April 2003	N/A	Product research and development as well as sales, marketing and customer relations of our Group
Ms. Luk Mo Yan (陸慕恩)	47	Head of human resources, administration and operation	19 May 2008	N/A	Responsible for the human resources and administrative management of our Group
Mr. Lam Ka Yuen (林嘉源)	35	Head of plant	13 October 2006	N/A	Responsible for our Group's plant operation and management

Executive Directors

Mr. Chan Lin So Alan (陳麟書), aged 37, is our chairman and executive Director. Mr. Chan is one of our Controlling Shareholders. Mr. Chan joined our Group as the director of My Heart Lingerie on 31 October 2011 and is a member of the nomination committee. Mr. Chan is responsible for the overall strategic planning, business development, corporate management and sales and marketing of our Group. Mr. Chan is a director of My Heart Lingerie, My Heart Factory, Global Succeed, Wish Enterprise and Glory Unique, and the supervisor of Hua Xin Si and Xin Xin.

Mr. Chan has approximately five years of experience in the lingerie industry. Mr. Chan's responsibilities in our Group include formulating and determining the corporate strategic objectives, monitoring the business operations, reviewing and approving significant contracts and investment, appointment and evaluating senior management, organising local and overseas exhibitions for business development.

Prior to joining our Group, Mr. Chan worked at Luk Cheong Investment Limited as an assistant to director from September 2002 to September 2008, mainly responsible for assisting the director in administration work. Mr. Chan also has experience in business development and general corporate management. Mr. Chan has been serving as a director (being mainly responsible for sales and marketing and business development) of Winterchase, T's Dinning Group Limited (formerly known as Able Loyal Enterprise Limited 瑞來企業有限公司), Kingslanding Group Limited (formerly known as Hyphen Partners Company Limited 卓宏會有限公司) since 2011, 2014 and 2015 respectively. Winterchase is an investment holding company, whereas T's Dinning Group Limited and Kingslanding Group Limited principally engage in the business of catering.

DIRECTORS AND SENIOR MANAGEMENT

As confirmed by Mr. Chan, he was a passive investor of T's Dinning Group Limited and Kingslanding Group Limited and was responsible for the management of these companies, whereas their daily operations are managed by the staff; and upon Listing, he would not participate in the day-to-day operation of the business of T's Dinning Group Limited and Kingslanding Group Limited and he shall ensure sufficient time will be allocated in discharging his duties as our executive Director.

Mr. Chan also served as a director of Wealth Era Investment Limited (宏時投資有限公司) (“**Wealth Era**”) from 2003 to 2009, Excel Sunny Investment Limited (卓達投資有限公司) (“**Excel Sunny**”) from 2006 to 2010, Competition Auto Limited (競技汽車有限公司) (“**Competition Auto**”) from 2007 to 2009 and City Fame Limited (盛豐泰有限公司) (“**City Fame**”) from 2010 to 2014.

As confirmed by Mr. Chan, Wealth Era, Excel Sunny, Competition Auto and City Fame were investment holding companies incorporated in Hong Kong prior to their dissolution, Due to cessation of business, Wealth Era was dissolved pursuant to section 291(6) of the Predecessor Companies Ordinance on 14 August 2009, Excel Sunny was dissolved pursuant to section 291(6) of the Predecessor Companies Ordinance on 12 March 2010, Competition Auto was dissolved pursuant to section 291AA(9) of the Predecessor Companies Ordinance on 3 April 2009, and City Fame was dissolved pursuant to section 746(2) of the Companies Ordinance on 5 September 2014. As confirmed by Mr. Chan, to the best of his knowledge and belief, each of Wealth Era, Excel Sunny, Competition Auto and City Fame were solvent at the time of their dissolution.

Mr. Chan was also a director of Charm Nice International Limited (“**Charm Nice**”), a company incorporated in the BVI, from 2007 to 2012. As confirmed by Mr. Chan, Charm Nice has been inactive since its incorporation and was struck off from the BVI Government Registrar as a result of non-payment of the BVI annual fee.

Mr. Chan confirms that there is no fraudulent act or misfeasance on his part leading to the dissolution and struck-off of such companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution and struck-off of such companies.

Notwithstanding the above, given that the dissolutions of the above companies did not involve any dishonesty or fraudulent act on the part of Mr. Chan, and did not raise any questions as to the integrity of Mr. Chan, our Directors are of the view, and the Sponsor concurs, that Mr. Chan is suitable to act as a Director under Rule 5.01 and 5.02 of the GEM Listing Rules.

Mr. Chan did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

Mr. Yiu Koon Pong (姚冠邦), aged 34, is our chief executive officer and executive Director. Mr. Yiu is one of our Controlling Shareholders. Mr. Yiu joined our Group as the director of My Heart Lingerie on 31 October 2011. Mr. Yiu is responsible for formulating corporate and business strategies and making major operation decisions of our Group. Mr. Yiu is a director of My Heart Lingerie, My Heart Factory, Global Succeed, Wish Enterprise and Glory Unique, and the legal representative of Hua Xin Si and Xin Xin.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yiu has approximately five years of experience in the lingerie industry. Mr. Yiu's responsibilities in our Group include formulating and determining corporate and business strategies and making major operation decisions, monitoring the business operations, reviewing and approving significant contracts and investment, appointment and appraisal of senior management, and organising local and overseas exhibitions for business development.

Prior to joining our Group, Mr. Yiu has over three years of experience in sales and business relationship development positions in manufacturing and retailing company, insurance company and banks. Prior to joining our Group, Mr. Yiu worked at On Hing Paper Co., Ltd. from February 2005 to May 2006 with his last position as an account executive. He worked at HSBC Insurance (Asia) Limited from May 2006 to May 2007 with his last position as a business development executive, and Standard Chartered Bank (HK) Ltd from May 2007 to September 2007 as a business relationship manager. From March 2008 to February 2009, he worked at the Bank of Communications Co., Ltd. with his last position as a branch officer. Mr. Yiu also has over eight years of experience in general business development and corporate management. Mr. Yiu has been serving as a director (being mainly responsible for administrative and corporate management) of JTs Partner Limited, a company principally engaged in the business of finance, since 2008. He has been serving as a director of Winterchase, an investment holding company, since 2011. He has been serving as a director (being mainly responsible for business operation and administrative management) of T's Dinning Group and Kingslanding Group Limited, both of which are companies principally engaged in the business of catering, since 2014 and 2015 respectively. He has also been serving as a director (mainly responsible for business operation and development of business strategies) of Play Studio Limited, a company principally engaged in the business of toy design, since 2015.

As confirmed by Mr. Yiu, he was a passive investor of T's Dinning Group Limited and Kingslanding Group Limited and was responsible for the management of these companies, whereas their daily operations are managed by the staff; and upon Listing, he would not participate in the day-to-day operation of the business of T's Dinning Group Limited and Kingslanding Group Limited and he shall ensure sufficient time will be allocated in discharging his duties as our executive Director.

Mr. Yiu graduated from the City University London in the United Kingdom with a bachelor's degree of science in economics in June 2004.

Mr. Yiu did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

Independent Non-executive Directors

Mr. Wong Tin King Richard (黃天競), aged 39, was appointed as our independent non-executive Director on 13 January 2017 and is the chairman of the audit committee and a member of the remuneration committee and nomination committee. Mr. Wong is responsible for overseeing our Group's compliance, internal control and corporate governance, but not participating in the day-to-day management of our business operation.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong has over 15 years of experience in accounting and auditing. Mr. Wong was an auditor of Glass Radcliffe Chan from March 2000 to September 2003. He worked for HLB Hodgson Impey Cheng Limited from October 2003 to September 2006. He joined SHINEWING (HK) CPA Limited in October 2006 as an accounting service manager and changed to the position of audit manager from August 2007 to September 2010.

Mr. Wong has been serving as the chief financial officer and company secretary of Food Idea Holdings Limited (formerly known as Gayety Holdings Limited) (“**Food Idea**”) (stock code: 8179, the shares of which are listed on the GEM), which principally engages in catering, production, sales and distribution of food products, securities investment and money lending, since June 2011. Mr. Wong is responsible for the accounting and financial functions of Food Idea.

Mr. Wong graduated from the Hong Kong Polytechnic University with a bachelor’s degree of arts in accountancy in November 2000.

Mr. Wong was admitted as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in April 2004 and was admitted as an associate and a fellow of the Institute of Chartered Accountants in England and Wales in January 2005 and February 2015 respectively.

Mr. Wong did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

Mr. Li Fu Yeung (李富揚), aged 38, was appointed as our independent non-executive Director on 13 January 2017 and is the chairman of the remuneration committee and a member of the audit committee. Mr. Li is responsible for overseeing our Group’s compliance, internal control and corporate governance, but not participating in the day-to-day management of our business operation.

Mr. Li has over 12 years of experience in the finance and insurance industry. Since December 2004, Mr. Li has been working with Manulife (International) Limited and his current position is senior unit manager and is responsible for the sales and marketing of insurance related product.

Mr. Li obtained a certificate in information technology and a diploma of computer science from the Sydney Institute of Business and Technology in Australia in May 2000 and May 2001 respectively.

Mr. Li has been serving as an independent non-executive director of Food Idea since June 2011.

Save as disclosed above, Mr. Li has not been a director of any other listed companies during the three years immediately preceding the date of this prospectus.

Ms. Chow Ting Hei Haily Josephine (鄒婷晞), aged 50, was appointed as our independent non-executive Director on 13 January 2017 and is the chairman of the nomination committee and a member of the audit committee and remuneration committee. Ms. Chow is responsible for overseeing our Group’s compliance, internal control and corporate governance, but not participating in the day-to-day management of our business operation.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chow has over 20 years of experience in market research and business management in the financial industry. Ms. Chow joined The Hongkong and Shanghai Banking Corporation Limited in August 1992 as a marketing research officer of the retail marketing and planning development department, and was promoted to an assistant marketing research manager of the same department in January 1994. Ms. Chow then worked in Hang Seng Bank Limited from February 1997 to November 2015 and her last position held was head of business performance and planning of the insurance business. Ms. Chow has been serving as the chief operating officer of the World Vision Hong Kong since April 2017.

Ms. Chow graduated from Simon Fraser University in Canada with a bachelor's degree of business administration in June 1987. She further obtained a graduate diploma in e-commerce from Poon Kam Kai Institute of Management of the University of Hong Kong in October 2001, and a master's degree of business administration from the Chinese University of Hong Kong in December 2006. Ms. Chow is a member of the Small and Medium Enterprises Committee, an advisory committee under the Trade and Industry Department of Hong Kong, for the term from 2015 to 2016.

Ms. Chow did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

Senior Management

Ms. Tong Ching Yee (湯靜儀), aged 64, is the research and development manager of our Group. Ms. Tong joined our Group in April 2003 as the sales manager and design manager of My Heart Factory, and was promoted to the operations director of My Heart Lingerie in March 2012. Ms. Tong is responsible for product research and development as well as sales, marketing and customer relations of our Group. Ms. Tong has over 14 years of experience in sales, marketing and product research and development.

Ms. Tong did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

Ms. Luk Mo Yan (陸慕恩), aged 47, is the head of human resources, administration and operation of our Group. Ms. Luk joined our Group in May 2008 as a personal assistant in My Heart Lingerie and was promoted to the senior officer of human resources and administration in 2010. Ms. Luk is responsible for the human resources and administrative management of our Group.

Ms. Luk has over 20 years of experience in retail and general business administration. Prior to joining our Group, Ms. Luk was a sales adviser of Laura Ashley Japan Co. Ltd from March 1995 to June 1997, during which she was responsible for shop operations, customer service and stock inventory control. Ms. Luk was a secretary of Tide Mark Enterprise Ltd from August 1997 to June 2008, during which she was responsible for secretarial, administrative and human resources support.

Ms. Luk did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Ka Yuen (林嘉源), aged 35, is the head of plant of our Group. Mr. Lam joined our Group in October 2006 and was promoted to the operation supervisor of warehouse and production of My Heart Factory since March 2012. Mr. Lam has around 11 years of experience in the lingerie production management and is responsible for overseeing and managing the operation of our plants in the PRC and Hong Kong.

Mr. Lam did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Fok Wai Hung (霍偉雄), aged 40, is our Group's company secretary and financial controller and is responsible for the overall financial management and reporting and company secretarial matters of our Group. He joined us in December 2014 as the finance manager of My Heart Lingerie.

Mr. Fok has about 10 years of experience in auditing, accounting and financial management. Prior to joining our Group, Mr. Fok was a junior auditor of Paul Wan & Partners Certified Public Accountants Limited from July 2000 to August 2002, a semi-senior audit assistant of Hong Kong Great Wall Certified Public Accountants Limited from July 2003 to May 2005, an accountant of Wong Brothers & Co. CPA from July 2005 to July 2006, and a senior associate of the assurance department of BDO McCabe Lo Limited from April 2007 to September 2007. Mr. Fok worked as a sub-contractor of Webster Ng & Co. from July 2009 to July 2011 during which he was responsible for auditing work. Mr. Fok then served as the finance manager of China Renji Medical Group Limited (currently known as China Wah Yan Healthcare Limited) (stock code: 648, the shares of which are listed on the Main Board of Stock Exchange) from June 2011 to June 2013 during which he was responsible for preparing the consolidated financial statements and overall accounting work. He was the finance manager of Heasily Holding Company Limited in 2014 for less than one year.

Mr. Fok obtained a bachelor's degree of commerce from Hong Kong Shue Yan University in October 2009. He was admitted as a member of the Association of Chartered Certified Accountants in January 2016 and became a certified public accountant of the HKICPA in May 2017.

Mr. Fok did not hold any directorship in any listed companies during the three years immediately preceding the date of this prospectus.

COMPLIANCE OFFICER

Mr. Chan Lin So Alan (陳麟書), is the compliance officer of our Company. Please refer to "— Executive Directors" above for his biography.

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and include our corporate governance report in

DIRECTORS AND SENIOR MANAGEMENT

our annual reports upon Listing. The terms of reference for performing the corporate governance functions in compliance with the Corporate Governance Code were approved by our Board for adoption on 16 January 2017.

BOARD COMMITTEES

Audit Committee

Our Company established the audit committee on 16 January 2017 with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the Corporate Governance Code. The primary duties of our audit committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts and our half-year report and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems. Our audit committee comprises three independent non-executive Directors, namely Mr. Wong Tin King Richard, Mr. Li Fu Yeung and Ms. Chow Ting Hei Haily Josephine. Mr. Wong Tin King Richard is the chairman of our audit committee.

Nomination Committee

Our Company established the nomination committee on 16 January 2017 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of our nomination committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board on the appointment and succession planning for our Directors. Our nomination committee comprises two independent non-executive Directors, namely Mr. Wong Tin King Richard and Ms. Chow Ting Hei Haily Josephine, and one executive Director, namely Mr. Chan Lin So Alan. Ms. Chow Ting Hei Haily Josephine is the chairman of our nomination committee.

Remuneration Committee

Our Company established the remuneration committee on 16 January 2017 with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B.1.2 of the Corporate Governance Code. The primary duties of our remuneration committee, under the principle that no Director or any of his associates should be involved in deciding his own remuneration include, among others, making recommendations to our Board on (a) our remuneration policy and structure for all of our Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of our non-executive

DIRECTORS AND SENIOR MANAGEMENT

Directors. Our remuneration committee comprises three independent non-executive Directors, namely Mr. Wong Tin King Richard, Mr. Li Fu Yeung and Ms. Chow Ting Hei Haily Josephine. Mr. Li Fu Yeung is the chairman of our remuneration committee.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Lego Corporate Finance Limited as our compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Public Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of the Shares under Rule 17.11 of the GEM Listing Rules.

The term of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of fixed monthly salaries in accordance with their respective employment contracts with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations.

The remuneration policies of our Group is and will be formulated by our Board on the recommendations of the remuneration committee of our Company (comprising three independent non-executive Directors). During the Track Record Period, the remuneration of our Directors and our senior management was determined with reference to their respective experience, responsibilities with our Group and general market conditions. Discretionary bonus (if any) is linked to the performance of our Group and of individual Director or senior management. Our Company intends to continue its remuneration policies after the Listing, subject to the review by and the recommendations of the remuneration committee of our Company.

DIRECTORS AND SENIOR MANAGEMENT

For the years ended 31 March 2015, 2016 and 2017 the aggregate amount of remuneration paid or payable by our Group to our Directors was approximately HK\$720,000, HK\$792,000 and HK\$836,000, respectively.

For the years ended 31 March 2015, 2016 and 2017 the aggregate amount of remuneration paid or payable by our Group to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) was approximately HK\$2,550,000, HK\$1,685,000 and HK\$3,347,000, respectively.

Save as disclosed above, no other payments have been paid or are payable by our Group in respect of the three years ended 31 March 2017 to our Directors or the five highest paid individuals of our Group.

It is estimated that, under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonus) payable by our Group to our Directors for the year ending 31 March 2018 will be approximately HK\$1,352,000.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors as an inducement to join or upon joining our Group or as compensation for loss of office.

During the Track Record Period, none of our Directors waived or agreed to waive any remuneration.

EMPLOYEES' REMUNERATION AND RETIREMENT BENEFIT SCHEMES

For details of our employees' remuneration and retirement benefit schemes, see "Business — Employees".

Share Option Scheme

Our Directors may also receive options to be granted under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in "Other information — 12. Share Option Scheme" in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the date of submission of application for the Listing and immediately following the completion of the Capitalisation Issue and the Public Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who are/will be, directly or indirectly, to be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held immediately after completion of the Capitalisation Issue and the Public Offer</u> <i>(Note 1)</i>	<u>Approximate percentage of interests in our Company immediately after completion of the Capitalisation Issue and the Public Offer</u>
Global Succeed	Beneficial owner <i>(Note 3)</i>	360,000,000	75%
Mr. Chan <i>(Note 2)</i>	Interest in a controlled corporation; interest held jointly with another person	360,000,000	75%
Mr. Yiu <i>(Note 2)</i>	Interest in a controlled corporation; interest held jointly with another person	360,000,000	75%

Notes:

1. All interests stated are long positions.
2. Global Succeed is beneficially owned as to 50% by Mr. Chan and 50% by Mr. Yiu. On 5 July 2016, Mr. Chan and Mr. Yiu entered into the Acting in Concert Confirmation to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that to continue to act in the same manner in our Group upon the Listing. For details, see “Relationship with Controlling Shareholders — Acting in Concert Confirmation”. By virtue of the SFO, Mr. Chan and Mr. Yiu are deemed to be interested in the Shares held by Global Succeed.
3. Global Succeed is the direct Shareholder of our Company.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Public Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), has an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the Capitalisation Issue and the Public Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme):

	<u>HK\$</u>
Authorised share capital	
<u>4,000,000,000</u> Shares of HK\$0.01 each	<u>40,000,000</u>
Shares issued and fully paid or credited as fully paid	
10,000 Shares in issue as at the date of this prospectus	100
359,990,000 Shares to be issued pursuant to the Capitalisation Issue	3,599,900
<u>120,000,000</u> Shares to be issued pursuant to the Public Offer	<u>1,200,000</u>
<u>480,000,000</u> Total issued Shares	<u>4,800,000</u>

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Public Offer become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase the Shares as referred to below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Public Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Share to be allotted and issued or dealt with subject to the requirement that the total number of Shares so allotted and issued or agreed conditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangement, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Public Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company, if any, pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This general mandate to issue Shares does not cover Shares to be allotted, issued or dealt with under a rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Articles.

This general mandate to issue Shares will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held; or
- (c) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors.

For further details of this general mandate to issue Shares, see “Further information about our Company and its subsidiaries — 3. Resolutions in writing of the sole Shareholder passed on 16 January 2017 and 19 June 2017” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Public Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the total number of Shares in issue following completion of the Capitalisation Issue and the Public Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

SHARE CAPITAL

This mandate to repurchase Shares only relates to repurchases made on the Stock Exchange, or any other exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in “Further information about our Company and its subsidiaries — 6. Repurchase of our own securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held; or
- (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors.

For further details of this general mandate to repurchase shares, see “Further information about our Company and its subsidiaries — 3. Resolutions in writing of the sole Shareholder passed on 16 January 2017 and 19 June 2017” in Appendix IV to this prospectus.

THE SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in “Other information — 12. Share Option Scheme” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in our Articles of Association. For details, see Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our Group's audited consolidated financial information, including the notes thereto, as set out in the Accountants' Report included in Appendix I to this prospectus (the "Consolidated Financial Information"). Our Group's Consolidated Financial Information has been prepared in accordance with the HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, see "Risk Factors".

OVERVIEW

We are a leading retailer of lingerie with shaping functions in Hong Kong, with production facilities in the PRC and Hong Kong. We principally offer a wide range of our own branded lingerie that are designed with shaping functions which aim to achieve better body appearances, including bras and panties, body shaping underwear and chest support vests. We also sell other products without shaping functions, which primarily include breast cream, panties, nude bras, swimwear, bra straps and pads, and waist bands.

For the years ended 31 March 2015, 2016 and 2017, we recorded revenue of approximately HK\$50.9 million, HK\$55.6 million and HK\$77.7 million, respectively, and net profit of approximately HK\$8.3 million, HK\$8.6 million and HK\$1.1 million, respectively.

BASIS OF PRESENTATION

In the preparation for the proposed listing of our Shares on the Stock Exchange, the companies now comprising our Group underwent the Reorganisation as detailed in "History, Development and Reorganisation — Reorganisation".

Upon completion of the Reorganisation on 19 July 2016, our Company became the holding company of the companies now comprising our Group. Our Company and the companies now comprising our Group are under common control of Mr. Chan and Mr. Yiu throughout the Track Record Period and before and after the Reorganisation. Therefore, the acquisition of the companies now comprising our Group is accounted for as business combination under common control by applying the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows during the Track Record Period have been prepared to present the financial performance and cash flows of the companies

FINANCIAL INFORMATION

now comprising our Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period or since the respective date of establishment, which is a shorter period.

The consolidated statements of financial position of our Group as at 31 March 2015, 31 March 2016 and 31 March 2017 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates, taken into account the respective date of establishment.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Group's financial conditions and results of operations have been and will continue to be affected by a number of factors, including those discussed below.

Macro-economic conditions in Hong Kong

During the Track Record Period, we generated approximately 95.5%, 98.5% and 99.3% of our revenue from external customers in Hong Kong. Our Directors expect that the business performance of our Group is highly susceptible to the economic conditions in Hong Kong and, in particular, the local mass market and high-end market of functional lingerie. Unforeseen circumstances such as economic downturn, natural disaster, significant changes in customer preferences and spending pattern and deterioration of the political environment, which are beyond our control may affect our business.

Market competition and relationship with our customers

According to the Frost & Sullivan Report, the competition among players of functional lingerie has focused not only on products and their functions but also the branding. The keen competition is also attributable to the increase of number of large-scale companies in the market. We believe our brand image is a key factor in our customers' purchase decisions and our brand image has contributed significantly to the success of our business and therefore maintaining and enhancing the recognition and image of our brands is critical to our ability to differentiate from our competitors. Our brand image, however, could be jeopardised if we fail to maintain high product quality, keep up with evolving fashion trends and timely offer popular items. In addition, any negative publicity or disputes regarding our products, services, or our Group or management could also materially harm our brand image. Our brand image may also be negatively affected if our products offered under any brands are unable to meet consumer expectations with respect to quality or style. Failure to successfully promote and maintain the image of any of our core brand or sub-brands would damage our reputation and in turn result in loss of customer confidence for any of the above or other reasons and could have a adverse effect on our results of operations and financial conditions as well as require additional resources to rebuild our reputation.

According to the Frost & Sullivan Report, the functional lingerie industry in Hong Kong is highly concentrated in Hong Kong with approximately 40 market players and the top five leading market players had a market share of approximately 91.7% in terms of retail turnover for the year ended 31 December 2016. In the PRC, the functional lingerie market is relatively concentrated with over 1,500 market players and the top five leading market players had a market share of approximately 24.0% in terms of retail turnover for the year ended 31 December 2016. There is no

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assurance that our Group will be able to compete with others in the future in light of the highly competitive market environment. Increased competition could result in price reductions, increased marketing expenditures and loss of market share, any of which could have a material adverse effect on our results of operations and financial conditions.

Leasing of retail stores

Currently, selling in retail stores is our sole sales channel. We rented premises for all of our retail stores, factories, offices and warehouse. Our property rentals and related expenses were one of the major expenditure of our Group during the Track Record Period. For the three years ended 31 March 2017, our property rentals and related expenses accounted for approximately 25.9%, 27.0% and 22.2% of our revenue, respectively. Our Group's retail stores are leased premises with tenancy terms ranging from approximately one to three years. Out of these lease agreements, the earliest expiry date will be in September 2017. There is no assurance that each of these leases can be renewed upon expiry or can be renewed at terms and conditions which are favourable to our Group and comparable to the terms of existing lease agreements. There is also no assurance that our Group could secure favourable locations to our Group's satisfaction for new leases. Failure to renew the existing leases upon expiry or failure to secure leases for alternative locations may hence have an adverse effect to our Group's performance and future development.

Ability to control our staff costs

Our operations are relatively labour intensive as we hand-made our functional lingerie products and we maintained a sales force in retail stores to serve our customers and satisfy their needs. Our staff costs thus constituted another major expenditure of our Group during the Track Record Period. For the three years ended 31 March 2017, our staff costs accounted for approximately 27.1%, 25.7% and 30.9% of our revenue, respectively.

In recent years, average labour costs in Hong Kong and the PRC have increased due to the government's policies to impose more stringent requirements on employers such as minimum wage and maximum working hours. Further, there has been a growing shortage of labour, especially skilled labour, in Hong Kong and the PRC. Wages and salaries in Hong Kong and the PRC are expected to continue to grow. If we are not able to offset such increase by reducing other costs or passing it on to our customers, our business, financial conditions and results of operations may be materially and adversely affected.

Seasonality

Our Group experienced slight seasonal fluctuations in revenue during the Track Record Period. Our Group generally records higher sales during certain holiday periods (generally from December to February), such as the Christmas holiday and the Chinese New Year holiday, which is in line with the common industry practice of retail business. Any change in purchasing power, spending patterns or market trends may intensify such fluctuations and affect our Group's turnover and financial performance.

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CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Critical accounting policies, estimates and judgements refer to those accounting policies, estimates and judgements that entail significant uncertainty and judgement, and could yield materially different results under different conditions and/or assumptions. The preparation of the financial information in conformity with HKFRSs requires our management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approach that we use in determining these items are based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our Group's consolidated financial statements as set out in the Accountants' Report. Below is a summary of the accounting policies in accordance with HKFRSs that we believe are important to the presentation of our financial results and involve the need to make estimates and judgements about the effect of matters that are inherently uncertain. We also have other policies, judgements, estimates and assumptions that we consider as significant, which are set out in detail in notes 4 and 5 to the Accountants' Report.

Revenue recognition

Our Group operates a chain of retail stores in Hong Kong and the PRC which principally sells lingerie with shaping function. Sales of goods are recognised when we sell and our customers purchase our products. Retail sales are usually settled in cash, by credit card, EPS or by credits from the customers' prepaid credit packages or Member Vouchers.

For the three years ended 31 March 2017, we recognised revenue of approximately HK\$46.8 million, HK\$53.5 million and HK\$74.0 million, respectively, from our retail sales. For details regarding our accounting policy relating to revenue recognition, see note 4 "Revenue recognition" to the Accountants' Report.

Deferred revenue

Our customers join our loyalty programme in Hong Kong by purchasing our credit packages to enjoy different levels of discounts for their purchases, depending on the amounts of credit packages purchased by them. For our loyalty programme in the PRC, our customers can apply for membership by making any purchase at our retail stores in the PRC. Such members can purchase our Member Vouchers with different levels of discounts, depending on the quantity of Member Vouchers purchased. The amounts prepaid by our customers for the credit packages or Member Vouchers where our products have not yet been sold to our customers are recognised as deferred revenue, and the effective selling price is recognised as revenue when our products have been sold to our customers as described in the above. As at 31 March 2015, 31 March 2016 and 31 March 2017, our deferred revenue amounted to approximately HK\$47.0 million, HK\$59.3 million and HK\$77.5 million, respectively. Please see notes 4 "Deferred revenue" and 5 to the Accountants' Report for the accounting policy and judgement relating to deferred revenue.

Our customers who have purchased our credit packages can earn membership points under our loyalty programme in Hong Kong which can be used to redeem vouchers during the Track Record Period. The management of our Group has, for simplicity, decided not to defer the

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recognition of revenue in relation to membership points since the fair values of the membership points outstanding as at 31 March 2015, 31 March 2016 and 31 March 2017 are considered by them as insignificant. For details regarding our accounting policy relating to membership points, see note 20 “Deferred revenue” to the Accountants’ Report.

Leasing

During the Track Record Period, our Group leased certain motor vehicles under finance lease and our Group had operating lease commitments in respect of the leased properties for our retail stores, office premises, factories and warehouse in Hong Kong and the PRC.

Please see note 4 “Leasing” to the Accountants’ Report for our accounting policies relating to our leases.

Inventories

As at 31 March 2015, 31 March 2016 and 31 March 2017, we had inventories of approximately HK\$17.6 million, HK\$22.4 million and HK\$25.7 million, respectively, representing our raw materials, work-in-progress and finished goods. Please see note 4 “Inventories” to the Accountants’ Report for the accounting policy relating to our inventories.

Impairment of tangible assets

At the end of each reporting period, our Group reviews the carrying amounts of our tangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

Please see note 4 “Impairment of tangible assets” to the Accountants’ Report for our accounting policies relating to our impairment of tangible assets.

Financial instruments

(i) Financial assets

During the Track Record Period, financial assets of our Group mainly represented trade and other receivables, amounts due from related parties and bank balances and cash. During the Track Record Period, our Group did not recognise any impairment loss on financial assets.

Please see notes 4 “Financial assets” and 25 to the Accountants’ Report for our accounting policies relating to, among others, classification, recognition, measurement and impairment of financial assets.

(ii) Financial liabilities

Our Group’s financial liabilities during the Track Record Period mainly included trade and other payables, amount due to a subsidiary/a related party and bank and other borrowings.

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Please see notes 4 “Financial liabilities” and 25 to the Accountants’ Report for our accounting policies relating to, among others, classification, recognition, measurement and derecognition of financial liabilities.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. For the three years ended 31 March 2017, we recognised income tax expense of approximately HK\$1.6 million, HK\$2.4 million and HK\$2.5 million, respectively.

Please see note 4 “Taxation” to the Accountants’ Report for our accounting policies on taxation.

SUMMARY RESULTS OF OPERATION

The following table sets out the summary of our Group’s consolidated results during the Track Record Period, which are derived from, and should be read in conjunction with the consolidated financial information contained in the Accountants’ Report set out in Appendix I to this prospectus.

	For the year ended 31 March		
	2015	2016	2017
	HK\$’000	HK\$’000	HK\$’000
Revenue	50,913	55,621	77,710
Cost of sales	<u>(9,191)</u>	<u>(9,055)</u>	<u>(14,245)</u>
Gross profit	41,722	46,566	63,465
Other income, gain and loss	74	51	(301)
Selling expenses	(21,189)	(22,962)	(32,412)
Administrative expenses	(10,229)	(10,529)	(15,689)
Listing expenses	—	(1,874)	(11,367)
Finance costs	<u>(426)</u>	<u>(200)</u>	<u>(104)</u>
Profit before taxation	9,952	11,052	3,592
Income tax expense	<u>(1,609)</u>	<u>(2,419)</u>	<u>(2,535)</u>
Profit for the year	<u>8,343</u>	<u>8,633</u>	<u>1,057</u>

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DESCRIPTION AND ANALYSIS OF PRINCIPAL COMPONENTS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was principally derived from the sale of our own branded lingerie that are designed with shaping functions, including bras, body shaping underwear and chest support vests. We also sell other complementary and ancillary products, which primarily include breast cream, panties, nude bras, swimwear and accessories such as bra straps and pads, and waist bands.

Revenue by type of products

The table below sets forth the breakdown of our revenue by type of products during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Lingerie with shaping functions						
— Bras	27,295	53.6	31,934	57.4	44,739	57.6
— Body shaping underwear	11,470	22.5	9,972	17.9	12,039	15.5
— Chest support vests	3,910	7.7	6,256	11.3	11,262	14.5
Subtotal	42,675	83.8	48,162	86.6	68,040	87.6
Other complementary and ancillary products <i>(Note)</i>	4,144	8.2	5,302	9.5	5,922	7.6
Income from unused credit packages	4,094	8.0	2,157	3.9	3,748	4.8
Total	50,913	100.0	55,621	100.0	77,710	100.0

Note: These products primarily include breast cream, panties, nude bras, swimwear, bra straps and pads, and waist bands.

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Lingerie with shaping functions

The following table sets forth our sales volume and the average selling price of our lingerie with shaping functions by type of products during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	<i>units</i>	<i>HK\$</i>	<i>units</i>	<i>HK\$</i>	<i>units</i>	<i>HK\$</i>
Bras	55,798	489.2	61,311	520.9	92,598	483.2
Body shaping underwear	6,993	1,640.2	6,198	1,608.9	7,563	1,591.9
Chest support vests	9,010	434.0	12,259	510.3	23,069	488.2
	71,801	594.4	79,768	603.8	123,230	552.1

Our Group's revenue is mainly affected by (i) the selling price of each type of our products; and (ii) demand from our customers on different types of products. Our Group experienced slight seasonal fluctuations in revenue during the Track Record Period. Our Group generally records higher sales during certain holiday periods (generally from December to February), such as the Christmas holiday and the Chinese New Year holiday, which is in line with the common industry practice of retail business.

For the three years ended 31 March 2017, our Group recorded revenue of approximately HK\$50.9 million, HK\$55.6 million and HK\$77.7 million, respectively, which represented a year-over-year growth of approximately 9.2% for 2016 and approximately 39.7% for 2017. After excluding our income from unused credit packages, our revenue amounted to approximately HK\$46.8 million, HK\$53.5 million and HK\$74.0 million for the three years ended 31 March 2017, respectively, representing a year-over-year growth of approximately 14.2% for 2016 and approximately 38.3% for 2017.

Our revenue for the Track Record Period was predominantly contributed from the sale of lingerie with shaping functions, including bras, body shaping underwear and chest support vests. For the three years ended 31 March 2017, our revenue from the sale of lingerie with shaping functions amounted to approximately HK\$42.7 million, HK\$48.2 million and HK\$68.0 million, respectively, representing approximately 83.8%, 86.6% and 87.6% of our total revenue for the corresponding years.

Among our lingerie products with shaping functions, we generated most of our revenue from the sale of bras, which amounted to approximately HK\$27.3 million, HK\$31.9 million and HK\$44.7 million, or approximately 64.0%, 66.3% and 65.8% of our revenue generated from the sales of lingerie with shaping functions for the three years ended 31 March 2017, respectively. During the Track Record Period, our sales derived from bras and chest support vests were the main drivers for our increase in revenue. Revenue generated from the sale of bras and chest support vests products increased from approximately HK\$27.3 million and HK\$3.9 million for the year ended 31 March 2015 to approximately HK\$31.9 million and HK\$6.3 million for the year

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ended 31 March 2016, respectively. Such increase was partially offset by the decrease in revenue generated from the sale of body shaping underwear, which decreased from approximately HK\$11.5 million for the year ended 31 March 2015 to approximately HK\$10.0 million for the year ended 31 March 2016.

The proportion of sales volume generated from bras, body shaping underwear and chest support vests attributed to approximately 77.7%, 9.7% and 12.5% of our total sales volume of lingerie with shaping functions for the year ended 31 March 2015 and approximately 76.9%, 7.8% and 15.4% for the year ended 31 March 2016, respectively. Among the three major categories of our functional products, the average selling prices of bras and chest support vests were significantly lower than that of body shaping underwear. Hence, although the average selling prices of bras and chest support vests for the year ended 31 March 2016 increased due to the reasons as discussed in “— Description and analysis of principal components in the consolidated statements of profit or loss and other comprehensive income — Revenue — Lingerie with shaping functions — Bras and chest support vests”, the average selling price per our lingerie with shaping functions product only slightly increased from approximately HK\$594.4 to approximately HK\$603.8 being offset by the decrease in the proportion of sales volume of body shaping underwear, which has the highest average selling price during the Track Record Period among our functional products, decreased from approximately 9.7% to 7.8%.

For the year ended 31 March 2017, our Group recorded increase in sales of all of bras, body shaping underwear and chest support vests, among which sales of bras and chest support vests increased by a greater extent. Revenue generated from the sale of bras, body shaping underwear and chest support vests increased from approximately HK\$31.9 million, HK\$10.0 million and HK\$6.3 million for the year ended 31 March 2016 to approximately HK\$44.7 million, HK\$12.0 million and HK\$11.3 million for the year ended 31 March 2017, representing increases of approximately 40.1%, 20.7% and 80.0%, respectively.

The proportion of sales volume generated from bras, body shaping underwear and chest support vests attributed to approximately 75.2%, 6.1% and 18.7% of our total sales volume of lingerie with shaping functions for the year ended 31 March 2017, respectively. As discussed above, the average selling prices per bras and chest support vests were significantly lower than that of body shaping underwear during the Track Record Period. In view of the growth in proportion of sales volume of chest support vests from approximately 15.4% for the year ended 31 March 2016 to approximately 18.7% for the year ended 31 March 2017, as combined with the reasons for the decrease in the average selling price of our products for the year ended 31 March 2017 as discussed in “— Description and analysis of principal components in the consolidated statements of profit or loss and other comprehensive income — Revenue — Lingerie with shaping functions — Bras and chest support vests”, the average selling price per lingerie with shaping functions product decreased from approximately HK\$603.8 to approximately HK\$552.1.

Bras and chest support vests

We recorded increase in revenue from the sale of bras from approximately HK\$27.3 million for the year ended 31 March 2015 to approximately HK\$31.9 million for the year ended 31 March 2016, representing an increase of approximately 17.0%. Such increase was primarily driven by the significant increase in sales volume of bras from approximately 55,800 units to approximately

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61,300 units, as well as the slight increase in the average selling price per bra of approximately 6.5% from approximately HK\$489.2 to approximately HK\$520.9 as compared to the prior year due to higher quantity of higher-end models sold. Our revenue from the sale of chest support vests increased from approximately HK\$3.9 million for the year ended 31 March 2015 to approximately HK\$6.3 million for the year ended 31 March 2016, representing a significant increase of 60.0%. Such increase was primarily driven by the significant increase in sales volume of chest support vests from approximately 9,000 units for the year ended 31 March 2015 to approximately 12,300 units for the year ended 31 March 2016, as well as the increase in average selling price per chest support vest by approximately 17.6% from approximately HK\$434.0 to approximately HK\$510.3 as compared to the prior year due to more sales from higher-end models. Our Directors believe that such significant increase in the sales volume of bras was mainly because of our marketing strategies in focusing more on social media and an online video sharing platform to advertise our products. Such advertisements focused on our higher-end models bras and chest support vests, and the average selling prices of which were lower than our body shaping underwear, during the year ended 31 March 2016, which broadened our customer base and drove the demand for our bras and chest support vests.

Revenue from the sale of bras increased from approximately HK\$31.9 million for the year ended 31 March 2016 to approximately HK\$44.7 million for the year ended 31 March 2017, representing an increase of approximately 40.1%, due to the continuous increasing trend recorded since the year ended 31 March 2016. The increase in our sales was primarily driven by the increase in sales volume from approximately 61,300 units to approximately 92,600 units, and offset by the decrease in the average selling price per bra from approximately HK\$520.9 to approximately HK\$483.2. Revenue generated from the sale of chest support vests also continued to increase for the year ended 31 March 2017 and amounted to approximately HK\$11.3 million, representing an increase of approximately 80.0% as compared to approximately HK\$6.3 million for the year ended 31 March 2016, which was primarily due to the increase in the sales volume from approximately 12,300 units to approximately 23,100 units, and offset by the decrease in the average selling price per chest support vest from approximately HK\$510.3 to HK\$488.2. The increase in the sales volume of bras and chest support vests were primarily attributable to the continuous effect of our advertisement, particularly on social media. As our advertisements continued to focus on our higher-end models bras and chest support vests, the product mix sold by us during the year ended 31 March 2017 was comparable to those we sold during the year ended 31 March 2016. The decrease in the average selling prices per bra and chest support vest during the year ended 31 March 2017 were mainly due to the increase in the discounts provided to our members who had purchased our credit packages. During the year ended 31 March 2017, our members purchased approximately 6,100, 4,800 and 600 credit packages valued at HK\$9,000 or above, HK\$5,000 to HK\$9,000 and HK\$2,000 to HK\$5,000, respectively, as compared to approximately 5,000, 4,200 and 300 credit packages of the respective amounts during the year ended 31 March 2016. Since (i) the discount levels offered by our credit packages are different subject to the value of credit package being purchased; (ii) there were more members purchased credit package of higher values during the year ended 31 March 2017; and (iii) our members often purchase our products at the same time when they purchase our credit packages, more discounts were offered when members used the Prepaid Amount of more expensive credit packages for purchase, which drove down the average selling price of our products during the year.

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Body shaping underwear

Revenue generated from the sale of body shaping underwear decreased from approximately HK\$11.5 million for the year ended 31 March 2015 to approximately HK\$10.0 million for the year ended 31 March 2016, representing a decrease of approximately 13.1%. Among our products with shaping functions, our body shaping underwear has the highest average unit selling price as compared to bras and chest support vests. As a result of our advertisement being focused on our bras and chest support vests but with less emphasis on the body shaping underwear so as to attract more customers to purchase products with relatively more affordable prices during the year ended 31 March 2016, the sales volume of body shaping underwear decreased from approximately 7,000 units for the year ended 31 March 2015 to approximately 6,200 units for the year ended 31 March 2016, despite our average selling price of our lingerie with shaping functions remained relatively stable for the years ended 31 March 2015 and 2016 due to similar product mix being sold. As a result, revenue generated from the sale of body shaping underwear decreased as compared to the prior year.

Revenue generated from the sale of body shaping underwear increased from approximately HK\$10.0 million for the year ended 31 March 2016 to approximately HK\$12.0 million for the year ended 31 March 2017, representing an increase of approximately 20.7%. While the average selling price per chest support vest slightly decreased from approximately HK\$1,608.9 for the year ended 31 March 2016 to approximately HK\$1,591.9 for the year ended 31 March 2017 due to the same reasons as discussed in “— Description and analysis of principal components in the consolidated statements of profit or loss and other comprehensive income — Revenue — Lingerie with shaping functions — Bras and chest support vests” above, the sales volume increased from approximately 6,200 units to approximately 7,600 units. Despite that our marketing strategies focused on bras and chest support vests, the sales volume of body shaping underwear increased mainly as a result of the overall increase in purchase by our customers.

Other complementary and ancillary products

We also sell other complementary and ancillary products, which primarily includes, among others, breast cream, panties, nude bras, swimwear and accessories such as bra straps and pads, and waist bands. The increase in our revenue generated from other products was primarily attributable to the increase in the sales volume of breast cream and swimwear for the year ended 31 March 2016 and the increase in the sales volume of breast cream for the year ended 31 March 2017.

Income from unused credit packages

Our customers join our loyalty programme in Hong Kong by purchasing our credit packages to enjoy discounts to their purchases, depending on the amounts of credit packages purchased by them, and our customers can apply for membership of our loyalty programme in the PRC by making any purchase at our retail stores in the PRC. Such members can purchase our Member Vouchers with different levels of discounts, depending on the quantity of Member Vouchers purchased. For the three years ended 31 March 2017, approximately HK\$40.1 million, HK\$47.4 million and HK\$63.6 million, representing approximately 85.6%, 88.6% and 86.0% of our revenue generated from the sales of products, respectively, were derived from customers who joined our

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loyalty programme and made purchases using credits in their credit packages and Member Vouchers. Set out below are the details of the movement of deferred revenue for the three years ended 31 March 2017:

	For the year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening balance as at the beginning of the year	38,734	47,027	59,284
Receipts from the sales of credit packages and Member Vouchers	52,444	61,764	85,581
Revenue recognised upon the sales of goods using credits in the credit packages and Member Vouchers	(40,057)	(47,350)	(63,627)
Income from unused credit packages	(4,094)	(2,157)	(3,748)
Closing balance as at the end of the year	47,027	59,284	77,490

The credit package has a contractual valid period of two years commencing from the date of purchase and can be extended once for up to two years following its expiry subject to our internal approval. Regardless of whether extension is granted, after two years from the original contractual expiry date of the credit package, the whole package would be invalid and the remaining Prepaid Amount of the unused credit package will be recognised as income from unused credit packages on the fourth anniversary from the date of purchase of the original credit package. Please see “Business — Marketing, advertising and promotion — Loyalty programme — Hong Kong” for details of our loyalty programme in Hong Kong.

Our income from unused credit packages decreased from approximately HK\$4.1 million for the year ended 31 March 2015 to approximately HK\$2.2 million for the year ended 31 March 2016, only representing approximately 8.0% and 3.9% of our total revenue for the respective years. For the year ended 31 March 2017, our income from unused credit packages amounted to approximately HK\$3.7 million, representing approximately 4.8% of our revenue for the year. Our Directors believe that the decrease in unused credit packages for the year ended 31 March 2016 as compared to the prior year was mainly due to our advertisement on social media and an online video sharing platform which had successfully induced our members for recurrent purchases. For the year ended 31 March 2017, income from unused credit packages increased by approximately HK\$1.5 million as compared to the prior year. Our Directors consider that such increase was in proportion with the increase in the balance of deferred revenue during the year ended 31 March 2013.

Our Directors consider the income from unused credit packages during the Track Record Period was insignificant and did not affect our business performance and financial result. Having considered that (i) according to HKAS 18, revenue is the gross inflow of economic benefits during the period arising in the course of ordinary activities; (ii) the management of our Company considers the forfeited income from unused credit packages was generated from the sales through our credit packages, which is a mode of sales that is an integral part of the ordinary operation of our retail sales generated on a regular and recurring basis; (iii) income from unused credit

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packages since the initial recognition in 2012 demonstrated a relatively stable trend with an annual amount no greater than HK\$5.0 million in each of the respective year, which is insignificant as a percentage to our total revenue; (iv) the timing of the recognition of such forfeited income is not arbitrary nor at our Directors' discretion, but is determined by the time of expiry of such credit packages when the customers are no longer legally entitled to use the credit packages for purchases and our corresponding liability ends; (v) according to the Frost & Sullivan Report, credit packages are commonly adopted as a marketing strategy for retailers to attract customers in the retail industry, and to the best of the knowledge and experience of our Directors, it is an industry norm that unused credit packages will be recognised as revenue generated from their business operation; (vi) the amount of refund under the loyalty programme as a percentage of total revenue was minimal for each of the years since 2012; and (vii) the unused credit packages are recognised as revenue generated from the course of the ordinary activities of our Group according to our accounting policy set out in "4. Significant Accounting Policies — Deferred revenue" to the Accountants' Report in Appendix I to this prospectus, our Directors consider, and the Sponsor concurs, that income from unused credit packages is generated in the ordinary and usual course of business of our Group.

Revenue by geographical location

The following table sets out the breakdown of our revenue by geographical location during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	48,619	95.5	54,781	98.5	77,137	99.3
PRC	2,294	4.5	840	1.5	573	0.7
Total	50,913	100.0	55,621	100.0	77,710	100.0

During the Track Record Period, we primarily derived revenue from Hong Kong, which amounted to approximately HK\$48.6 million, HK\$54.8 million and HK\$77.1 million, respectively, for the three years ended 31 March 2017, representing approximately 95.5%, 98.5% and 99.3% of our total revenue for the respective year. For the year ended 31 March 2016 and 31 March 2017, the increase in our revenue generated in Hong Kong was primarily attributable to our advertisement on social media and an online video sharing platform, which were targeted at customers located in Hong Kong.

Our revenue derived from the PRC amounted to approximately HK\$2.3 million, HK\$0.8 million and HK\$0.6 million, respectively, for the three years ended 31 March 2017, representing approximately 4.5%, 1.5% and 0.7% of our total revenue for the respective year. During the years ended 31 March 2015 and 2016, revenue derived from the PRC primarily represented our sales to SZ BodiBra, a company which ceased business in December 2015 and was wholly-owned by Mr. Chan immediately before its deregistration in December 2016. Subsequently, our revenue derived from the PRC was primarily attributable to our retail store in Shenzhen, which commenced operation in December 2015.

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Cost of sales

During the Track Record Period, our cost of sales mainly comprised staff costs, costs of materials, rental and related expenses, freight and transportation costs, utilities and depreciation.

The following table sets out the breakdown of our cost of sales during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs	4,043	44.0	5,003	55.2	7,777	54.6
Costs of materials	3,760	40.9	2,079	23.0	4,294	30.1
Rental and related expenses	877	9.5	1,155	12.8	1,220	8.6
Freight and transportation costs	187	2.0	218	2.4	323	2.3
Utilities	211	2.4	350	3.9	366	2.5
Depreciation	113	1.2	250	2.7	265	1.9
Total	9,191	100.0	9,055	100.0	14,245	100.0

For the three years ended 31 March 2017, our cost of sales was approximately HK\$9.2 million, HK\$9.1 million and HK\$14.2 million, respectively, representing approximately 18.1%, 16.3% and 18.3% of our revenue for the respective years. Notwithstanding the increase in our revenue by approximately 9.2% during the year ended 31 March 2016, our cost of sales slightly decreased by approximately 1.5% for the year. Such decrease was primarily attributable to the decrease in costs of materials for the year ended 31 March 2016, mitigated by the increase in staff costs and rental and related expenses. For the year ended 31 March 2017, our cost of sales increased by approximately 57.3%, which was in line with the increase in our revenue as compared to the prior year.

Staff costs

Staff costs mainly represented the salaries, wages and other benefits of our employees directly engaged in the production process in our Shenzhen Factory and Hong Kong Factory. During the Track Record Period, our staff costs accounted for the largest part of our cost of sales, amounting to approximately HK\$4.0 million, HK\$5.0 million and HK\$7.8 million, respectively, representing approximately 44.0%, 55.2% and 54.6%, respectively, of our total cost of sales, for the three years ended 31 March 2017, respectively. The increase in our staff costs was primarily due to the increase in the total number of staff hired for our production in view of the increase in our sales and demands for our products as well as the salary increment for our production staff.

Costs of materials

Costs of materials mainly represented costs for (i) the purchase of raw materials for the manufacturing of our lingerie, such as fabrics, lace, garment accessories and elastic bands; (ii) the purchase of sourced finished products; and (iii) the subcontracting cost for processing our raw

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materials. For the three years ended 31 March 2017, our costs of materials amounted to approximately HK\$3.8 million, HK\$2.1 million and HK\$4.3 million, respectively, and accounted for approximately 40.9%, 23.0% and 30.1% of our total cost of sales for the corresponding years.

The amount of materials we purchased from our suppliers was relatively constant for the years ended 31 March 2015 and 2016. Nonetheless, the decrease in our costs of materials was in line with the increase in the actual production volume from the year ended 31 March 2015 to the year ended 31 March 2016. In light of the growth in revenue during the year ended 31 March 2016 and in anticipation of further growth of our revenue, we have increased our overall production volume, mainly driven by the production of bras, which resulted in the increase of our inventory of finished goods from 31 March 2015 to 31 March 2016. Nonetheless, since (i) our production volume had increased faster than the increase in the sales volume during the year ended 31 March 2016 in anticipation of the recurrent purchase of our customers; and (ii) the total amount of purchase of raw materials was relatively stable for the years ended 31 March 2015 and 2016, our costs of materials which have been used in our production were recognised under the finished goods in inventory and thus could not be fully recognised in cost of sales. In addition, due to the increase in the production volume of bras, for which costs of materials formed a relatively smaller portion in its total cost of sales as compared to our other products, our costs of materials decreased as compared to the prior year.

For the year ended 31 March 2017, our costs of materials amounted to approximately HK\$4.3 million, representing an increase of approximately 1.1 times as compared to the prior year. Such increase was in line with our increase in our production volume as driven by the increase in sales.

Rental and related expenses

Our rental and related expenses under cost of sales represented the payment for rent, government rents and rates for our Shenzhen Factory, our Hong Kong Factory and our Shenzhen Warehouse. For the years ended 31 March 2015 and 2016, our rental and related expenses amounted to approximately HK\$0.9 million and HK\$1.2 million, respectively, representing an year to year increase of approximately 31.7%. For the year ended 31 March 2017, our rental and related expenses remained relatively stable at approximately HK\$1.2 million as compared to the prior year. The increase in rental and related expenses for the year ended 31 March 2016 was primarily due to the relocation of our factory in the PRC to our Shenzhen Factory and our commencement of leasing our Shenzhen Warehouse in October 2014. For the year ended 31 March 2017, the slight increase in rental and related expenses was mainly due to the renewal of lease agreement with an upward adjustment in the monthly rental for our Hong Kong Factory in September 2015.

Freight and transportation costs

Our freight and transportation costs mainly comprised (i) overseas shipping costs of our materials; (ii) fees we paid to the logistics service providers which are Independent Third Parties for the delivery of our products between our Shenzhen Warehouse and our warehouse in Hong Kong; and (iii) the diesel fuel charge, parking fee, repair and maintenance costs for our motor vehicles which deliver our products between our Shenzhen Warehouse and our retail stores in the PRC, and between our warehouse in Hong Kong and our retail stores in Hong Kong. Our freight and transportation expense was relatively stable at approximately HK\$0.2 million and HK\$0.2 million for the years ended 31 March 2015 and 2016. Our freight and transportation costs

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increased to approximately HK\$0.3 million for the year ended 31 March 2017, which was mainly due to our increase in sales and production leading to our increased demand for freight and transportation services for shipping our materials and delivering our products.

Utilities

Utilities mainly represented the cost of electricity used in our production process. The increase from approximately HK\$0.2 million for the year ended 31 March 2015 to approximately HK\$0.4 million for the year ended 31 March 2016 was in line with the increased production volume. Our utilities cost remained stable at approximately HK\$0.4 million for the year ended 31 March 2017.

Depreciation

Depreciation recognised in cost of sales mainly represented the depreciation recognised for the leasehold improvements of our Hong Kong Factory, our Shenzhen Factory, our Shenzhen Warehouse and machineries in relation to our production.

Gross profit and gross profit margin

For the three years ended 31 March 2017, our gross profit amounted to approximately HK\$41.7 million, HK\$46.6 million and HK\$63.5 million, respectively, with gross profit margin of approximately 81.9%, 83.7% and 81.7%, respectively. After excluding the income from unused credit packages, our gross profit amounted to approximately HK\$37.6 million, HK\$44.4 million and HK\$59.7 million for the three years ended 31 March 2017, respectively, with gross profit margin of approximately 80.4%, 83.1% and 80.7%, respectively. The following table sets forth the breakdown of our gross profit and gross profit margin by type of products (excluding income from unused credit packages) during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Lingerie with shaping functions						
— Bras	20,370	74.6	25,069	78.5	33,887	75.7
— Body shaping underwear	10,483	91.4	9,146	91.7	10,832	90.0
— Chest support vests	3,178	81.3	5,534	88.5	9,777	86.8
Other complementary and ancillary products (<i>Note</i>)	<u>3,597</u>	<u>86.8</u>	<u>4,660</u>	<u>87.9</u>	<u>5,221</u>	<u>88.2</u>
Total/overall	<u><u>37,628</u></u>	<u><u>80.4</u></u>	<u><u>44,409</u></u>	<u><u>83.1</u></u>	<u><u>59,717</u></u>	<u><u>80.7</u></u>

Note: These products primarily include breast cream, panties, nude bras, swimwear, bra straps and pads, and waist bands.

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Our overall gross profit (excluding income from unused credit packages) increased by approximately HK\$6.8 million or approximately 18.0%, from approximately HK\$37.6 million for the year ended 31 March 2015 to approximately HK\$44.4 million for the year ended 31 March 2016, and our gross profit margin (excluding income from unused credit packages) increased from approximately 80.4% for the year ended 31 March 2015 to approximately 83.1% for the year ended 31 March 2016. Such overall increases in our gross profit and gross profit margin were primarily attributable to the increase in the average selling prices of our bras and chest support vests during the year ended 31 March 2016 as a result of the increase in the sales volume of higher-end models of these products, mitigated by the slight decrease in the sales volume of body shaping underwear, which had the highest gross profit margin.

For the year ended 31 March 2017, our overall gross profit (excluding income from unused credit packages) increased to approximately HK\$59.7 million as compared to the prior year, representing an increase of approximately 34.5%, and our gross profit margin (excluding income from unused credit packages) decreased to approximately 80.7% for the year ended 31 March 2017 as compared to the prior year. The increase in our gross profit was primarily attributable to the significant increase in our overall sales volume while the decrease in our gross profit margin was due to the decrease in our average selling price per product as a result of the increase in the discounts provided to our members as discussed in “— Description and analysis of principal components in the consolidated statements of profit or loss and other comprehensive income — Revenue — Lingerie with shaping functions — Bras and chest support vests”.

Bras

The gross profit margin of bras increased from approximately 74.6% for the year ended 31 March 2015 to approximately 78.5% for the year ended 31 March 2016, which was primarily attributable to the increase in the sales of higher-end models as a result of our marketing strategies during the year ended 31 March 2016 as discussed in “— Revenue by type of products — Bras and chest support vests”. The gross profit margin of bras decreased to approximately 75.7% for the year ended 31 March 2017, which was mainly attributable to the combined effect of the decrease in our average selling price per product due to the increase in the discounts provided to our members as discussed in “— Description and analysis of principal components in the consolidated statements of profit or loss and other comprehensive income — Revenue — Lingerie with shaping functions — Bras and chest support vests” as well as the increase in cost of sales as a result of the salary increment of our production staff, mitigated by the increase in the sales volume of higher-end models due to our marketing strategies since the year ended 31 March 2016.

Body shaping underwear

The gross profit margin of our body shaping underwear remained relatively stable at approximately 91.4%, 91.7% and 90.0% for the three years ended 31 March 2017, respectively, since similar product mix was sold during the three years ended 31 March 2017. The slight decrease in our gross profit margin during the year ended 31 March 2017 was mainly due to the decrease in the average selling price per unit as a result of the reasons as discussed in “— Description and analysis of principal components in the consolidated statements of profit or loss

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and other comprehensive income — Revenue — Lingerie with shaping functions — Bras and chest support vests” as well as the increase in cost of sales as a result of the salary increment of our production staff.

Chest support vests

The gross profit margin of our chest support vests increased from approximately 81.3% for the year ended 31 March 2015 to approximately 88.5% for the year ended 31 March 2016, which was primarily attributable to the increase in the sales of higher-end models as a result of our marketing strategies during the year ended 31 March 2016 as discussed in “— Revenue by type of products — Bras and chest support vests”. The gross profit margin of chest support vests decreased to approximately 86.8% for the year ended 31 March 2017, which was mainly attributable to the combined effect of the decrease in our average selling price per product due to the increase in the discounts provided to our members as discussed in “— Description and analysis of principal components in the consolidated statements of profit or loss and other comprehensive income — Revenue — Lingerie with shaping functions — Bras and chest support vests” as well as the increase in cost of sales as a result of the salary increment of our production staff, mitigated by the increase in the sales volume of higher-end models due to our marketing strategies during the year ended 31 March 2016.

Other complementary and ancillary products

The gross profit of our other complementary and ancillary products increased from approximately HK\$3.6 million for the year ended 31 March 2015 to approximately HK\$4.7 million for the year ended 31 March 2016 and the gross profit margin slightly increased from approximately 86.8% to approximately 87.9%. For the year ended 31 March 2017, the gross profit of our other complementary and ancillary products increased to approximately HK\$5.2 million and the gross profit margin remained relatively stable at approximately 88.2% as compared to the prior year.

Other income, gain or loss

During the Track Record Period, other income, gain or loss of our Group mainly comprised net gain or loss on disposal of property, plant and equipment, net exchange loss and bank interest income. Our other income, gain or loss amounted to approximately HK\$74,000, HK\$51,000 and a loss of approximately HK\$0.3 million for the three years ended 31 March 2017, respectively.

Selling expenses

During the Track Record Period, our Group’s selling expenses amounted to approximately HK\$21.2 million, HK\$23.0 million and HK\$32.4 million for the three years ended 31 March 2017, respectively, representing approximately 41.6%, 41.3% and 41.7% of our Group’s total revenue for the corresponding year. Our Group’s selling expenses mainly comprised rental and related expenses, staff costs, marketing and promotional expenses and bank charges.

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The following table sets forth the breakdown of our selling expenses during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Rental and related expenses	10,511	49.6	11,948	52.0	13,578	41.9
Staff costs	4,906	23.2	5,264	22.9	9,832	30.3
Marketing and promotional expenses	4,122	19.4	3,774	16.5	5,781	17.8
Bank charges	1,645	7.8	1,911	8.3	3,198	9.9
Others	5	0.0	65	0.3	23	0.1
Total	21,189	100.0	22,962	100.0	32,412	100.0

Our rental and related expenses represented the rent and rates for our retail stores. For details on the lease agreements of our retail stores, see “Business — Our retail network — Our retail stores”. For the year ended 31 March 2016, our rental and related expenses amounted to approximately HK\$11.9 million, representing an increase of approximately 13.7% as compared to approximately HK\$10.5 million for the year ended 31 March 2015. For the year ended 31 March 2017, our rental and related expenses amounted to approximately HK\$13.6 million, representing an increase of approximately 13.6% as compared to the prior year. Such increase was mainly due to (i) an upward adjustment in the fixed monthly rental as we renewed certain of the lease agreements of our existing retail stores; and (ii) as driven by our increase in turnover, our rent increased accordingly as the rent of some of our retail stores was calculated based on our monthly turnover.

Our staff costs under the selling expenses mainly represented salaries, sales commissions, performance bonuses, employee benefits and retirement benefit costs to our sales personnel. For the year ended 31 March 2016, our staff costs for our sales personnel amounted to approximately HK\$5.3 million, representing an increase of approximately 7.3% as compared to approximately HK\$4.9 million for the year ended 31 March 2015. For the year ended 31 March 2017, our staff costs for our sales personnel amounted to approximately HK\$9.8 million, representing a significant increase of approximately 86.8% as compared to the prior year. The increase was primarily due to the increase in the sales commission paid to our sales staff, which was in line with our increase in revenue for the year ended 31 March 2017.

Marketing and promotional expenses primarily comprised the fees for advertisements and marketing in magazines, social media, an online video sharing platform and search engines, service fee for spokesperson and onsite promotional expenses in our retail stores. Notwithstanding our increase in revenue, our marketing and promotional expenses decreased slightly from approximately HK\$4.1 million to approximately HK\$3.8 million, representing a decrease of approximately 8.4%. Such decrease was primarily due to our change in marketing strategies during the year ended 31 March 2016, during which we changed our principal advertising platform from traditional platforms in print media such as magazines, newspapers, bus banners to e-platforms such as social media and an online video sharing platform. For the year ended 31 March 2017, our marketing and promotional expenses amounted to approximately HK\$5.8 million, representing an

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increase of approximately 53.2% as compared to the prior year, which was primarily due to our increased marketing expenses spent on online social media, which was considered by our Directors as the main driver for our continuous growth in sales.

Bank charges primarily represented the fees charged by credit card companies for processing payment by credit cards, which were charged at a percentage to the transaction amount. The increases in our bank charges for the years ended 31 March 2016 and 2017 were in line with our increases in revenue for the respective years.

Other selling expenses included logo design fee and uniform expenses for our sales staff.

Administrative expenses

During the Track Record Period, our administrative expenses amounted to approximately HK\$10.2 million, HK\$10.5 million and HK\$15.7 million for the three years ended 31 March 2017, respectively. Our administrative expenses mainly included staff costs, rental and related expenses, depreciation, office expenses, motor vehicles expenses, auditors' remuneration and legal and professional fees.

The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs	4,823	47.2	4,030	38.3	6,434	41.0
Rental and related expenses	1,779	17.4	1,926	18.3	2,459	15.7
Depreciation	1,181	11.5	1,345	12.8	1,306	8.3
Office expenses	997	9.8	1,083	10.3	1,720	11.0
Motor vehicles expenses	453	4.4	626	5.9	711	4.5
Auditors' remuneration	341	3.3	337	3.2	469	3.0
Legal and professional fee	221	2.2	182	1.7	797	5.1
Others	434	4.2	1,000	9.5	1,793	11.4
Total	10,229	100.0	10,529	100.0	15,689	100.0

Our administrative expenses were relatively stable at approximately HK\$10.2 million and HK\$10.5 million for the years ended 31 March 2015 and 2016, representing approximately 20.1% and 18.9% of our revenue for the corresponding years. For the year ended 31 March 2017, our administrative expenses amounted to approximately HK\$15.7 million, representing an increase of approximately 49.0% as compared to the prior year. Our administrative expenses constituted approximately 20.2% of our revenue for the year ended 31 March 2017.

Our staff costs under administrative expenses mainly represented directors' emoluments and salaries, allowances and retirement contributions to our administrative and other staff. Such staff costs decreased from approximately HK\$4.8 million for the year ended 31 March 2015 to approximately HK\$4.0 million for the year ended 31 March 2016, which was mainly due to the

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decrease in directors' emoluments and salaries as Ms. Wong, who was our highest paid individual during the year ended 31 March 2015 and was entitled to directors' emoluments and salaries of HK\$135,000 per month, ceased to be the director of our subsidiaries in February 2015 and hence ceased to receive emoluments during the year ended 31 March 2016. Our staff costs increased to approximately HK\$6.4 million for the year ended 31 March 2017, which was mainly due to increase in salaries, welfare and allowances of our administrative and other staff in connection with the Listing.

For the three years ended 31 March 2017, our Group incurred rental and related expenses of approximately HK\$1.8 million, HK\$1.9 million and HK\$2.5 million, respectively, which is mainly for our Group's offices in Hong Kong and Shenzhen. The increase in our rental and related expenses was mainly due to the entering into of the lease agreement for our office in Shenzhen during the year ended 31 March 2016, and the upward adjustment of monthly rental of our office in Hong Kong in March 2016 as a result of the renewal of the lease agreement. For details of our offices, see "Business — Properties".

Depreciation represented the depreciation expenses for our leasehold improvements, furniture and fixtures to our retail stores and offices, as well as our motor vehicles. Our depreciation expenses slightly increased from approximately HK\$1.2 million for the year ended 31 March 2015 to approximately HK\$1.3 million for the year ended 31 March 2016, and remained stable at approximately HK\$1.3 million for the year ended 31 March 2017.

Our office expenses amounted to approximately HK\$1.0 million, HK\$1.1 million and HK\$1.7 million for the three years ended 31 March 2017, respectively, which mainly represented expenses for printing and stationery, telephone and fax, utilities and repairs and maintenance expenses. The slight increase in our office expenses as compared to the year ended 31 March 2015 was primarily attributable to our new office in Shenzhen which commenced operation during the year ended 31 March 2016. The increase in our office expenses for the year ended 31 March 2017 as compared to the prior year was primarily attributable to the increase in expenses related to the Listing and the full operation of our office in Shenzhen.

Our motor vehicles expenses comprised diesel fuel charge, parking fee, insurance, repair and maintenance costs for our motor vehicles.

Our auditors' remuneration amounted to approximately HK\$0.3 million for each of the year ended 31 March 2015 and 2016, which was relatively stable. For the year ended 31 March 2017, our auditors' remuneration increased to approximately HK\$0.5 million, mainly due to the increase in scale of the Group.

Our legal and professional fees mainly represented fees for general legal services, company secretarial services and corporate tax services. During the Track Record Period, our legal and professional fees amounted to approximately HK\$0.2 million for each of the year, which was relatively stable. Our legal and professional fee increased to approximately HK\$0.8 million for the year ended 31 March 2017, which was mainly related to expenses incurred in preparing for the Listing.

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During the Track Record Period, our other administrative expenses mainly included overseas travelling expenses, entertainment, reinstatement costs for retail stores, business registration fee and cleaning fee. The increase in our other administrative expenses for the year ended 31 March 2016 as compared to the prior year was mainly due to a combination of effects, such as (i) increase in overseas travelling expenses; (ii) registration fee for trademarks; and (iii) increase in purchases of sample textile. The increase for the year ended 31 March 2017 as compared to the prior year was mainly due to (i) consultancy fee related to the Listing; (ii) registration fee for trademarks; and (iii) increase in entertainment expenses.

Finance costs

During the Track Record Period, our Group's finance costs mainly comprised interest expenses on borrowings from an entity controlled by a relative of Mr. Yiu, obligations under the finance leases for our motor vehicles and interest expenses on bank borrowings.

For the three years ended 31 March 2017, our incurred finance costs amounted to approximately HK\$0.4 million, HK\$0.2 million and HK\$0.1 million, respectively. The decrease in finance costs was mainly due to the full repayment of the borrowings from an entity controlled by a relative of Mr. Yiu in July 2015. For details of the borrowings from related parties, see “— Description and analysis of principal items in the consolidated statements of financial position — Amounts due from and to related parties”.

Income tax expenses

Our Group's operations are primarily based in Hong Kong. We are subject to (i) Hong Kong profits tax, which is calculated at 16.5% of the estimated assessable profits during the Track Record Period; and (ii) enterprise income tax of the PRC, which is calculated based on the statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC during the Track Record Period.

The following table sets forth the breakdown of our income tax expenses during the Track Record Period:

	For the year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	1,405	1,644	2,411
PRC EIT	204	775	246
Overprovision in prior year			
Hong Kong profits tax	—	—	(122)
Total	1,609	2,419	2,535

For the three years ended 31 March 2017, our Group recorded income tax expenses of approximately HK\$1.6 million, HK\$2.4 million and HK\$2.5 million, respectively, representing an effective tax rate of approximately 16.2%, 21.9% and 70.6% for the corresponding years. The

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increase in our Group's effective tax rate during the year ended 31 March 2016 was mainly due to (i) the increase in assessable profits subject to Hong Kong profit tax during the year ended 31 March 2016; (ii) our Listing expenses, which are non-deductible for tax assessment, incurred for the year ended 31 March 2016; and (iii) increase in PRC EIT, which has a higher tax rate, due to the increase in the intra-group sales between Hua Xin Si and My Heart Lingerie during the year ended 31 March 2016 which was in line with our increase in revenue. For the year ended 31 March 2017, the increase in our effective tax rate was mainly due to (i) the increase in assessable profits subject to Hong Kong profit tax during the year ended 31 March 2017; and (ii) our Listing expenses, which are non-deductible for tax assessment, incurred for the year ended 31 March 2017, and mitigated by the decrease in PRC EIT resulting from, inter alia, the increase in our staff cost in the PRC and the cessation of sales to SZ BodiBra.

Our Group had no tax obligation arising from other jurisdictions during the Track Record Period. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or material unresolved tax issues with relevant tax authorities.

Profit for the year

Based on the foregoing, our profit for the year slightly increased by approximately HK\$0.3 million or approximately 3.5% from approximately HK\$8.3 million for the year ended 31 March 2015 to approximately HK\$8.6 million for the year ended 31 March 2016. Our net profit margin decreased from approximately 16.4% for the year ended 31 March 2015 to approximately 15.5% for the year ended 31 March 2016. Excluding the Listing expenses, our Group would record profit of approximately HK\$10.5 million and net profit margin of approximately 18.9% for the year ended 31 March 2016.

For the year ended 31 March 2017, our profit for the period decreased by approximately HK\$7.6 million to approximately HK\$1.1 million as compared to the prior year. Our net profit margin decreased to approximately 1.4% for the year ended 31 March 2017. Excluding the Listing expenses, our Group would record profit of approximately HK\$12.4 million and net profit margin of approximately 16.0% for the year ended 31 March 2017.

LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 31 March 2018 will be adversely affected by, among others, the Listing expenses in relation to the Public Offer, the nature of which is non-recurring. The total Listing expenses in relation to the Public Offer, primarily consisting of the fees paid or payable to the professional parties and the underwriting fees and commission, are estimated to be approximately HK\$30.4 million (based on HK\$0.5, being the mid-point of the indicative Offer Price range from HK\$0.4 per Offer Share to HK\$0.6 per Offer Share and 120,000,000 Offer Shares). Among the estimated total Listing expenses, (i) approximately HK\$9.0 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$21.4 million is expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income, of which approximately HK\$1.9 million and HK\$11.4 million have been recognised for the two years ended 31 March 2017, respectively and the remaining of approximately HK\$8.1 million is expected to be further recognised for the year ending 31 March 2018.

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Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the year ending 31 March 2018 is subject to adjustment based on audit and the then changes in the variables and assumptions.

Prospective investors should note that the financial performance of our Group for the year ending 31 March 2018 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Our Group's principal liquidity and capital requirements primarily relate to our operating expenses. Historically, we have met our working capital and other liquidity requirements principally from cash generated from our operations, advances and borrowings from related parties and banking facilities. Going forward, we expect to fund our working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from our operations, the net proceeds from the Public Offer as well as other external equity and debt financing when the need arises.

The following table summarises our Group's cash flows during the Track Record Period:

	For the year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Net cash flows from operating activities	15,536	13,983	21,438
Net cash flows (used in)/from investing activities	(14,801)	(12,778)	22,256
Net cash flows (used in)/from financing activities	(2,534)	781	1,199
Net (decrease)/increase in cash and cash equivalents	(1,799)	1,986	44,893
Cash and cash equivalents at beginning of the year	3,164	1,365	3,357
Effect of foreign exchange rate changes	—	6	18
Cash and cash equivalents at end of the year	<u>1,365</u>	<u>3,357</u>	<u>48,268</u>

Operating activities

During the Track Record Period, our Group derived its cash inflows from operating activities primarily from the receipt of payments from the sale of our products and our cash used in operating activities mainly included payments for staff costs, rental and related expenses, purchase of materials, marketing and promotional expenses, other operating expenses and income tax payments.

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Notwithstanding the increase in our operating profits, i.e. profit before taxation, from approximately HK\$10.0 million for the year ended 31 March 2015 to approximately HK\$11.1 million for the year ended 31 March 2016, our net cash generated from operating activities decreased from approximately HK\$15.5 million to approximately HK\$14.0 million. Such decrease was primarily due to (i) the increase in our deferred and prepaid Listing expenses of approximately HK\$2.5 million; (ii) the increment in increase in inventories from 31 March 2015 to 31 March 2016 of approximately HK\$1.3 million due to the reasons as stated in “— Description and analysis of principal items in the consolidated statements of financial position — Inventories” and; (iii) increase in the payment of Hong Kong profits tax of approximately HK\$1.9 million. Such decrease was mitigated by the increase in our deferred revenue as a result of the increase in customers purchasing our credit packages of approximately HK\$4.0 million during the year ended 31 March 2016.

For the year ended 31 March 2017, while our profit before income tax decreased to approximately HK\$3.6 million, our net cash generated from operating activities increased to approximately HK\$21.4 million as compared to the prior year, primarily due to (i) the increase in our deferred revenue which amounted to approximately HK\$18.2 million for the year as a result of the increase in customers purchasing our credit packages; and (ii) the increase in trade and other payables of approximately HK\$3.4 million for the year. Such increase was mitigated by the decrease in profit before taxation mainly due to the Listing expenses of approximately HK\$11.4 million incurred during the year ended 31 March 2017.

Investing activities

For the year ended 31 March 2015, our net cash used in investing activities was approximately HK\$14.8 million, which was mainly due to the net amount of advances to our Directors and related parties of approximately HK\$13.3 million and our purchase of property, plant and equipment of approximately HK\$2.2 million.

For the year ended 31 March 2016, our net cash used in investing activities was approximately HK\$12.8 million, which was mainly due to the net amount we advanced to our Directors and related parties of approximately HK\$12.5 million and purchase of property, plant and equipment of approximately HK\$1.1 million.

For the year ended 31 March 2017, our net cash generated from investing activities was approximately HK\$22.3 million, which was mainly due to the net amount of repayment from Directors and related parties of approximately HK\$24.0 million, mitigated by the purchase of property, plant and equipment of approximately HK\$1.7 million.

Financing activities

For the year ended 31 March 2015, net cash used in financing activities was approximately HK\$2.5 million, which mainly represented (i) the repayment of borrowings to the entity controlled by a relative of Mr. Yiu of approximately HK\$1.4 million; (ii) the repayment of obligations under the finance lease for our motor vehicles of approximately HK\$0.9 million; and (iii) the repayment of bank borrowings of approximately HK\$0.9 million, as mitigated by the advances from SZ BodiBra of approximately HK\$1.0 million.

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For the year ended 31 March 2016, net cash generated from financing activities was approximately HK\$0.8 million, which mainly represented the advances from SZ BodiBra of approximately HK\$2.6 million, as mitigated by (i) the repayment of obligations under the finance lease for our motor vehicles of approximately HK\$1.1 million; and (ii) the repayment of borrowings to the entity controlled by a relative of Mr. Yiu of approximately HK\$0.5 million.

For the year ended 31 March 2017, net cash generated from financing activities was approximately HK\$1.2 million, which was mainly from the new bank loan of HK\$3.0 million, as mitigated by (i) the repayment of obligations under the finance lease for our motor vehicles of approximately HK\$0.3 million; and (ii) the repayment of bank borrowings and interests of approximately HK\$1.5 million.

WORKING CAPITAL

After taking into account the cash flows from the operating activities and the financial resources available to our Group including but not limited to the followings:

- the amount of cash flows generated from operating activities of our Group during the Track Record Period;
- our bank balances and cash of approximately HK\$48.3 million as at 31 March 2017 and approximately HK\$47.1 million as at 30 April 2017 based on our unaudited management accounts;
- our banking facility for a revolving credit card limit of HK\$0.4 million; and
- the estimated net proceeds from the Public Offer of approximately HK\$29.6 million (based on the mid-point of the indicative Offer Price range of HK\$0.5 per Offer Share and 120,000,000 Offer Shares) to be received by our Group,

our Directors are of the opinion, and the Sponsor concurs, that our Group has sufficient working capital to meet our present requirements for at least the next 12 months from the date of this prospectus.

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NET CURRENT ASSETS (LIABILITIES)

As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 April 2017, our Group had net current assets (liabilities) of approximately HK\$2.9 million, HK\$11.5 million, HK\$(4.1) million and HK\$(5.4) million, respectively. Details of the components are set out as follows:

	As at 31 March			As at 30 April
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Current assets				
Inventories	17,593	22,425	25,738	26,117
Trade and other receivables	1,823	5,984	7,851	9,664
Amount due from an ultimate holding company	11	11	21	26
Amounts due from Directors	26,469	28,257	1,750	1,901
Amounts due from related parties	8,898	19,708	2,908	2,825
Bank balances and cash	1,365	3,357	48,268	47,054
	56,159	79,742	86,536	87,588
Current liabilities				
Trade and other payables	3,007	3,454	7,411	8,058
Deferred revenue	47,027	59,284	77,490	79,351
Amount due to a related party	1,034	3,600	—	—
Obligations under finance leases				
— due within one year	435	344	275	266
Bank and other borrowings	457	—	1,716	1,597
Tax payable	1,310	1,551	3,709	3,697
	53,270	68,233	90,601	92,969
Net current assets (liabilities)	2,889	11,509	(4,065)	(5,381)

Our current assets as at 31 March 2015, 31 March 2016, 31 March 2017 and 30 April 2017 amounted to approximately HK\$56.2 million, HK\$79.7 million, HK\$86.5 million and HK\$87.6 million, respectively, with amounts due from related parties, inventories, trade and other receivables and bank balances and cash being the major components. Our current liabilities as at 31 March 2015, 31 March 2016, 31 March 2017 and 30 April 2017 amounted to approximately HK\$53.3 million, HK\$68.2 million, HK\$90.6 million and HK\$93.0 million respectively, with deferred revenue, trade and other payables, amount due to a related party, bank and other borrowing and tax payable being the major components.

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Despite our Group's current liabilities increased from approximately HK\$53.3 million as at 31 March 2015 to approximately HK\$68.2 million as at 31 March 2016 primarily as a result of the increase in deferred revenue by approximately HK\$12.3 million and increase in amount due to a related party by approximately HK\$2.6 million, our current assets increased by a larger extent from approximately HK\$56.2 million as at 31 March 2015 to approximately HK\$79.7 million as at 31 March 2016 mainly due to (i) the increase in amounts due from Directors and related parties by approximately HK\$12.6 million; (ii) the increase in inventories by approximately HK\$4.8 million; and (iii) the increase in trade and other receivables by approximately HK\$4.2 million. As a result, our net current assets position improved from approximately HK\$2.9 million as at 31 March 2015 to approximately HK\$11.5 million as at 31 March 2016.

Our net current assets decreased from approximately HK\$11.5 million as at 31 March 2016 to net current liabilities of approximately HK\$4.1 million as at 31 March 2017. Such decrease in our net current position was mainly attributable to the decrease in our current assets due to distribution of an interim dividend of HK\$15.0 million in July 2016 by way of setting-off with the amount due from Directors and related parties, and the increase in current liabilities primarily resulted from (i) the increase in deferred revenue by approximately HK\$18.2 million due to the increase in purchase of credit packages by our members; and (ii) the increase in trade and other payables of approximately HK\$4.0 million attributable to the provision of Listing expenses.

Based on our unaudited management accounts, our net current liabilities increased to approximately HK\$5.4 million as at 30 April 2017 as compared to approximately HK\$4.1 million as at 31 March 2017, which was mainly due to the increase in our deferred revenue.

For details regarding the major items affecting our net current assets during the Track Record Period, see “— Description and analysis of principal items in the consolidated statements of financial position”.

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DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

As at 31 March 2015, 31 March 2016 and 31 March 2017, our Group had inventories of approximately HK\$17.6 million, HK\$22.4 million and HK\$25.7 million, respectively.

The following table sets out the breakdown of our inventory balances as at 31 March 2015, 31 March 2016 and 31 March 2017:

	As at 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Raw materials	2,660	2,819	3,569
Work-in-progress	489	839	867
Finished goods	14,444	18,767	21,302
Total	17,593	22,425	25,738

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Our inventories amounted to approximately HK\$17.6 million, HK\$22.4 million and HK\$25.7 million, representing approximately 31.3%, 28.1% and 29.7% of our current assets as at 31 March 2015, 31 March 2016 and 31 March 2017, respectively. Our raw materials mainly represented fabrics, lace, elastic bands and garment accessories. The balance of our raw materials remained relatively stable as at 31 March 2015 and 2016, and increased by approximately 26.6% to approximately HK\$3.6 million for the year ended 31 March 2017, which was mainly due to the increase in our production volume in light of the increase in our revenue. For details, see “Business — Inventory management”. Work-in-progress mainly represented the fabrics we finished cutting and other raw materials in the production process, as well as our products pending packaging. Finished goods mainly represented the bras, body shaping underwear, chest support vests and other products stored in our warehouses and retail stores.

During the year ended 31 March 2016, following the success in our marketing campaign on social media and an online video sharing platform which drove the increase in our sales, we have increased our production volume, in particular for bras, faster than the increase in our sales volume in anticipation of higher demand from our customers. In addition, we have also accelerated the launch of our new products, which primarily consisted of bras. We assigned a unique stock keeping unit identification code for each style, colour and size of our products. Given that more styles, colours and sizes are available for sale (each with different stock keeping unit identification code), our inventory for each of the retail stores increased accordingly from approximately 7,300 stock keeping unit identification code as at 31 March 2015 to approximately 7,700 stock keeping unit identification code as at 31 March 2016, and further increased to approximately 8,700 stock keeping unit identification code as at 31 March 2017. Due to the combined effect of the above, our

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inventory of finished goods increased from approximately HK\$14.4 million as at 31 March 2015 to approximately HK\$18.8 million as at 31 March 2016, representing an increase of approximately 29.9%. Our inventory of finished goods further increased to approximately HK\$21.3 million as at 31 March 2017, representing an increase of approximately 13.5% as compared to the prior year, which was also due to our continuous launching of new products during the year ended 31 March 2017.

Before the launch of our marketing campaign during the year ended 31 March 2016, our sales were slightly affected by seasonality and we generally record higher revenue during major holidays or festivals, such as Christmas and Chinese New Year, which fall in or about the months of December, January and February. However, we noted that our sales have been on an increasing trend since March 2016 despite having passed our traditional high season. In view of such trend, we have increased the production volume and accelerated our schedule for launching new products. Hence, the increase in our inventories was in line with the increase in sales of the year ended 31 March 2017 as compared to the increase in sales of the year ended 31 March 2016. Our inventory of finished goods is relatively high as we generally store a wide range of products with different colours, sizes and styles for our products in each retail store, such that we have sufficient inventories to meet our customers' needs.

The following table sets out the breakdown of our inventory turnover days for the three years ended 31 March 2017:

	<u>For the year ended 31 March</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Inventory turnover days (<i>Note</i>)	<u>628.1</u>	<u>808.8</u>	<u>617.0</u>

Note: Inventory turnover days are calculated by dividing the average inventory balance by total amount of cost of sales multiplied by the number of days during the year (i.e. 365 days for each of the year ended 31 March 2015 and 2017, and 366 days for the year ended 31 March 2016). Average inventory balance is the average of the beginning and ending inventory balances for the relevant period.

Our inventory turnover days were approximately 628.1 days, 808.8 days and 617.0 days, respectively, for the three years ended 31 March 2017. Our Directors believe that our relatively long inventory turnover days was mainly due to (i) the relatively large inventory of finished goods we held as we generally stored a wide range of our products with different colours, sizes and styles in each retail store so as to cater for the needs of our customers; (ii) our continuous release of new products; and (iii) the fact that we seldom offer discounts or markdowns on slow-moving products. The longer inventory turnover days for the year ended 31 March 2016 as compared to the year ended 31 March 2015 was mainly due to the higher inventory balance as at 31 March 2016. The higher inventory balance as at 31 March 2016 was mainly attributable to the increase in our inventory of finished goods from approximately HK\$14.4 million as at 31 March 2015 to approximately HK\$18.8 million as at 31 March 2016 due to the reasons as discussed above.

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Our inventory turnover days of approximately 617.0 days for the year ended 31 March 2017 were shorter than that of 31 March 2016, mainly attributable to the increase in our inventory movement resulting from the more significant increase in our sales than our production due to the reasons as detailed in “— Description and analysis of principal components in the consolidated statements of profit or loss and other comprehensive income — Revenue”.

Set out below is the ageing analysis of our inventory balance as at 31 March 2015, 31 March 2016 and 31 March 2017:

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 6 months	5,588	9,718	10,020
More than 6 months but not more than 1 year	2,645	3,395	4,586
More than 1 year but not more than 2 years	4,121	3,289	3,574
More than 2 years	5,239	6,023	7,558
Total	17,593	22,425	25,738

As at 31 March 2015, 31 March 2016 and 31 March 2017, approximately 46.8%, 58.5% and 56.7% of our inventories aged within one year, approximately 23.4%, 14.6% and 13.9% of our inventories aged more than one year but not more than two years and approximately 29.8%, 26.9% and 29.4% aged over two years, respectively. The relatively long age of our inventory was mainly due to our continuous release of new products and we seldom offer discounts or markdowns to slow-moving products. As discussed in the above, we have accelerated the release of our new products during the two years ended 31 March 2017, which also affected the turnover of our slow-moving products. Our Directors are of the view that given our products are functional-oriented and that our customers have a broad spectrum of age ranging from 15 to 65 who may have different or even distinct preferences as to the colour and style of our products, as long as our products are stored and managed properly, those relatively long-aged inventories would be saleable, which could be demonstrated by the fact that we managed to continue to sell those relatively long-aged inventories to our customers. It is also the marketing strategy of our Group not to directly offer discounts or markdowns on any products and discounts are only offered indirectly when customers purchase our credit packages, which include offering marketing promotions and offering staff incentive in order to enhance the marketability of those slow-moving stocks.

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Set out below is the subsequent sale or usage for each of the ageing bands of our Group's inventory balance as at 31 March 2015 and 31 March 2016 up to 31 March 2017:

	As at 31 March 2015	Subsequent sale or usage between 1 April 2015 and 31 March 2017	As at 31 March 2016	Subsequent sale or usage between 1 April 2016 and 31 March 2017	As at 31 March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i>
Within 6 months	5,588	5,548	9,718	9,457	10,020
More than 6 months but not more than 1 year	2,645	2,568	3,395	3,327	4,586
More than 1 year but not more than 2 years	4,121	3,366	3,289	2,845	3,574
More than 2 years	<u>5,239</u>	<u>2,098</u>	<u>6,023</u>	<u>2,560</u>	<u>7,558</u>
Total	<u>17,593</u>	<u>13,580</u>	<u>22,425</u>	<u>18,189</u>	<u>25,738</u>

As set out in the table above, despite the inventory turnover days are relatively high, approximately HK\$2.1 million of inventories aged more than two years as at 31 March 2015 were sold or used during the two years ended 31 March 2017 in aggregate, representing approximately 40.0% of the total inventories aged more than two years as at 31 March 2015. As at 31 March 2017, approximately HK\$2.6 million of inventories aged more than two years as at 31 March 2016 were subsequently sold, representing approximately 42.5% of the inventories aged more than two years as at 31 March 2016. In this regard, our Directors consider that it is unlikely that we would not be able to sell the slow-moving stocks. Moreover, as the cost-to-sales threshold of our products was relatively low, our Directors thus considered that the net realisable value of our inventories will likely be higher than the cost. Hence, we did not make any provision for our inventories. Nevertheless, we have adopted different marketing plans to accelerate the sale of slow-moving stock within a reasonable period of time. We seldom carry out special promotions and offer staff incentives to handle those slow-moving inventories, including (i) offer packages with slow-moving inventories with other products at a discount; and (ii) provide slow-moving products as gifts to our customers when their purchasing amount reach a certain level. We seldom offer such kind of bundle sales as stated in (i) above and only derived revenue of approximately HK\$10,000 during the year ended 31 March 2015. As to the products we provided as gifts to our customers as stated in (ii) above, the cost of these slow-moving products amounted to approximately HK\$3,000, HK\$396,000 and HK\$40,000, representing approximately 0.03%, 4.4% and 0.3% of the cost of sales of our Group for the three years ended 31 March 2017, respectively, and had been accounted as part of our cost of sales. As such, given that the majority of our products are sold at regular prices instead of selling under special promotions as set out in (i) and (ii) above, the impact of the sales generated from (i) and (ii) above on the gross profit margin and the net profit margin of our Group is insignificant. Due to the relatively low cost-to-sales threshold of our products, despite that the gross profit of the regular-priced products sold in (i) and (ii) above is being offset by the cost in relation to such slow-moving products, the adjusted gross profit margin derived from these promotional sales after taking into account for such cost, there is a positive gross profit margin of

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approximately 79.8%, 80.2% and 80.0% for the three years ended 31 March 2017, respectively. Thus, our Directors confirm that the net realisable value of such products in promotion as described in (i) and (ii) above during the Track Record Period were still higher than their costs. For details, see “Business — Inventory management”. As at 30 April 2017, approximately 88.6%, 79.9% and 7.5% of our Group’s inventory balances as at 31 March 2015, 31 March 2016 and 31 March 2017 were subsequently utilised or sold, respectively.

Trade and other receivables

As at 31 March 2015, 31 March 2016 and 31 March 2017, trade and other receivables of our Group amounted to approximately HK\$1.8 million, HK\$6.0 million and HK\$7.9 million, respectively. The following table sets out the breakdown of our trade and other receivables as at 31 March 2015, 31 March 2016 and 31 March 2017 and our trade receivable turnover days during the Track Record Period:

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	715	1,822	634
Deferred and prepaid Listing expenses	—	2,512	5,223
Other receivables, prepayments and deposits	1,108	1,650	1,994
Total	1,823	5,984	7,851
	For the year ended 31 March		
	2015	2016	2017
Trade receivable turnover days (<i>Note</i>)	5.4	8.3	5.8

Note: Trade receivable turnover days are calculated by dividing the average trade receivables balance by revenue for the relevant year multiplied by the number of days during the year (i.e. 365 days for each of the year ended 31 March 2015 and 2017, and 366 days for the year ended 31 March 2016). Average trade receivables balance is the average of the beginning and ending trade receivables balances for the relevant year.

A majority of our sales generates immediate cash receipts for the full amount of the transactions as our customers generally pay by cash, credit cards or EPS. Our trade receivable balances mainly represented our outstanding amounts receivable from the card payment processing bank for our retail sales. The receivables due from credit card companies were usually settled within seven working days after the trade date. Our trade receivables also included our outstanding amounts receivable from the landlord of our retail store in Shenzhen. Pursuant to the lease agreement in respect of our retail store in Shenzhen, if our customers pay by bank cards, credit cards or any methods other than cash, the payment shall first be received by our landlord upon trade and our landlord shall reimburse us within 20 working days following the end of that particular month.

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For the three years ended 31 March 2017, our trade receivables turnover days were approximately 5.4 days, 8.3 days and 5.8 days, respectively, which are generally in line with the settlement period from credit card companies and EPS. The increase in our trade receivables turnover days for the year ended 31 March 2016 was due to the increase in revenue which boosted up the trade receivable.

As at 31 March 2016 and 31 March 2017, deferred and prepaid Listing expenses amounted to approximately HK\$2.5 million and HK\$5.2 million, respectively. Such amount will either be recognised as expenses in the year ending 31 March 2018 or deducted from equity upon Listing.

As at 31 March 2015, 31 March 2016 and 31 March 2017, our other receivables, prepayments and deposits mainly represented our rental deposits, prepayment of rent and management fees, and deposits for utilities. The increase in our other receivables, prepayments and deposits from approximately HK\$1.1 million as at 31 March 2015 to approximately HK\$1.7 million as at 31 March 2016 was mainly attributable to the deposits paid for the new lease agreements entered into during the year ended 31 March 2016. As at 31 March 2017, our other receivables, prepayments and deposits increased to approximately HK\$2.0 million as compared to approximately HK\$1.7 million as at 31 March 2016, which was mainly due to the increase in value-added tax recoverable as we increased our purchase of raw materials during the first quarter of 2017.

The following is an ageing analysis of our trade receivables, based on the invoice date and past due date, as at 31 March 2015, 31 March 2016 and 31 March 2017:

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days based on invoice date — current	715	1,665	600
31 to 60 days based on invoice date — past due	—	157	34
Total	715	1,822	634

As at 31 March 2015, 31 March 2016 and 31 March 2017, trade receivables of nil, approximately HK\$0.2 million and HK\$34,000 were past due but not impaired, respectively. During the Track Record Period, we did not make impairment for trade receivables as there are no default in payments and the outstanding amounts from which were considered subsequently recoverable.

As at 30 April 2017, all of our Group's trade receivables as at 31 March 2015 and 31 March 2016 were subsequently settled, respectively; and approximately 80.3% of our Group's trade receivables as of 31 March 2017 were subsequently settled.

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Trade and other payables

Our Group's trade and other payables amounted to approximately HK\$3.0 million, HK\$3.5 million and HK\$7.4 million as at 31 March 2015, 31 March 2016 and 31 March 2017, respectively. The following tables set out the breakdown of our trade and other payables as at 31 March 2015, 31 March 2016 and 31 March 2017, and trade payable turnover days during the Track Record Period:

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	246	181	94
Accrued Listing expenses	—	—	3,415
Accruals and other payables	2,761	3,273	3,902
Total	3,007	3,454	7,411
	For the year ended 31 March		
	2015	2016	2017
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade payable turnover days (<i>Note</i>)	6.2	8.6	3.5

Note: Trade payable turnover days are calculated by dividing the average trade payable balance by the total amount of cost of sales for the relevant year multiplied by the number of days during the year (i.e. 365 days for each of the year ended 31 March 2015 and 2017, and 366 days for the year ended 31 March 2016). Average trade payable balance is the average of the beginning and ending trade payable balances for the relevant year.

Our Group's trade payables are mainly related to payables for the purchase of materials. During the Track Record Period, the payment terms offered by our suppliers were generally within 60 days. For details of the typical payment terms with our five largest suppliers during the Track Record Period, see "Business — Suppliers — Our five largest suppliers".

Our balance of trade payables amounted to approximately HK\$0.2 million, HK\$0.2 million and HK\$0.1 million as at 31 March 2015, 31 March 2016 and 31 March 2017, respectively.

For the years ended 31 March 2015, 31 March 2016 and 31 March 2017, our trade payable turnover days were approximately 6.2 days, 8.6 days and 3.5 days, respectively.

During the Track Record Period, our accruals and other payables mainly comprised (i) the accrued staff costs; (ii) the accrued rental and related expenses; (iii) the provision for housing provident fund and penalty; (iv) the provision for reinstatement costs for our retail stores; (v) the accrued marketing fees; and (vi) other accrued expenses.

As at 31 March 2015 and 2016, our accruals and other payables amounted to approximately HK\$2.8 million and HK\$3.3 million, respectively. The increase was mainly due to (i) the increase in accrued staff costs from approximately HK\$1.7 million to approximately HK\$2.1 million as a

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result of the increase in sales commission payable to our sales staff, which was in line with our increase in revenue; and (ii) the increase in accrued rental and related expenses, which was in line with our increase in rental and related expenses.

Our accruals and other payables increased to approximately HK\$3.9 million as at 31 March 2017, representing an increase of approximately 19.2% as compared to approximately HK\$3.3 million as at 31 March 2016. Such increase was primarily due to the increase in accrued staff costs as a result of the increase in sales commission payable to our sales staff, which was in line with our increase in revenue.

The following table sets out an ageing analysis of our trade payables as at 31 March 2015, 31 March 2016 and 31 March 2017:

	As at 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within 60 days	246	181	94
Total	246	181	94

All of our trade payables aged within the credit period based on the invoice dates as at 31 March 2015, 31 March 2016 and 31 March 2017. As at 30 April 2017, all of our Group's trade payables as at 31 March 2015 and 31 March 2016 were subsequently settled, respectively; and approximately 83.0% of our Group's trade payables as at 31 March 2017 were subsequently settled.

Our Directors confirm that our Group did not have any material default in payment of trade payables during the Track Record Period.

Deferred revenue

We have established our loyalty programme and our customers can join our loyalty programme in Hong Kong by purchasing our credit packages to enjoy different levels of discounts for their purchases, depending on the amounts of credit packages purchased by them, and our customers can apply for membership of our loyalty programme in the PRC by making any purchase at our retail stores in the PRC. Such members can purchase our Member Vouchers with different levels of discounts, depending on the quantity of Member Vouchers purchased. For details of our loyalty programme, please see "Business — Marketing, advertising and promotion — Loyalty programme". The amounts our customers spent on the purchase of our credit packages or Member Vouchers are recognised as deferred revenue in the consolidated statements of financial position at the time of sales and are subsequently recognised as revenue in our consolidated statements of profit or loss and other comprehensive income based on the effective selling price when the customers purchase our products from time to time using the credits in their credit packages and Member Vouchers.

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The credit package has a contractual valid period of two years commencing from the date of purchase and can be extended for up to two years following its expiry subject to our internal approval. Regardless of whether extension is granted, remaining deferred revenue of the prepaid credit packages will be recognised as income from unused credit packages on the fourth anniversary from the date of purchase of the original credit packages.

The validity period of each Member Voucher is three years from the date of purchase. Any unused Member Voucher could be refunded before the expiry of its validity period. After the expiry of the validity period, holders of the Member Vouchers could request us for refund or continue to use the expired Member Vouchers to purchase our products at their discretion.

For details of change in our deferred revenue for the three years ended 31 March 2017, see “— Description and analysis of principal components in the consolidated statements of profit or loss and other comprehensive income — Revenue — Income from unused credit packages”. Set out below is the ageing analysis of our deferred revenue based on the invoice date to the purchase of credit packages and Member Vouchers as at 31 March 2015, 31 March 2016 and 31 March 2017:

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	27,038	37,485	50,249
In the second year	11,900	14,539	20,182
In the third year	4,874	3,516	4,065
In the fourth year	3,215	3,744	2,994
Total	47,027	59,284	77,490

As at 31 March 2015, 31 March 2016 and 31 March 2017, our deferred revenue amounted to approximately HK\$47.0 million, HK\$59.3 million and HK\$77.5 million, respectively, representing an increase of approximately 26.1% from 31 March 2015 to 31 March 2016, and an increase of approximately 30.7% from 31 March 2016 to 31 March 2017. Such increase was mainly due to the increase in purchase of credit packages by members during the years ended 31 March 2016 and 2017, which was in line with our increasing trend in revenue. For the three years ended 31 March 2017, income from unused credit packages represented approximately 8.7%, 3.6% and 4.8% of our total deferred revenue as at 31 March 2015, 31 March 2016 and 31 March 2017, respectively.

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Amounts due from and to related parties

The following table sets out a summary of the amounts due from and to related parties as at 31 March 2015, 31 March 2016 and 31 March 2017:

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from an ultimate holding company	11	11	21
Amounts due from Directors	26,469	28,257	1,750
Amounts due from related parties	<u>8,898</u>	<u>19,708</u>	<u>2,908</u>
Total	<u>35,378</u>	<u>47,976</u>	<u>4,679</u>
Amount due to a related party	<u>1,034</u>	<u>3,600</u>	<u>—</u>

The amounts due from related parties represented the amounts advanced by our Group to related parties for their funding purpose. The amount due to a related party represented the amount advanced to our Group by SZ BodiBra, a company which ceased business in December 2015 and was wholly-owned by Mr. Chan immediately before its deregistration in December 2016. The amounts due from Directors mainly represented the advances to our Directors. The decrease in amount due from Directors and related parties as at 31 March 2017 as compared to 31 March 2016 was mainly due to distribution of an interim dividend of HK\$15.0 million in July 2016 by way of setting off with the amount due from Directors and related parties as well as the repayment by our Directors during the year ended 31 March 2017.

The balances were non-trade in nature, unsecured, interest-free and repayable on demand, and will be fully settled prior to the Listing.

INDEBTEDNESS

During the Track Record Period, our Group's indebtedness mainly included (i) amount due to a related party; (ii) obligations under finance leases; and (iii) bank and other borrowings.

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Amount due to a related party

The following table sets out the amount due to a related party as at 31 March 2015, 31 March 2016, 31 March 2017 and 30 April 2017.

	As at 31 March			As at 30 April
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Amount due to a related party	1,034	3,600	—	—

For details, please see “— Amounts due from and to related parties”.

Obligations under finance leases

Our Group leased certain motor vehicles under finance leases during the Track Record Period. Future minimum lease payments under the finance lease of the net minimum lease payments are as follows:

	As at 31 March			As at 30 April
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Total minimum lease payments:				
Within one year	479	382	300	290
In more than one year and not more than two years	479	300	259	259
In more than two years but not more than five years	249	475	216	194
	1,207	1,157	775	743
Future finance charges on finance leases	(62)	(81)	(43)	(40)
Present value of finance lease obligations	1,145	1,076	732	703

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The present value of finance lease liabilities is as follows:

	As at 31 March			As at 30 April
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Current portion:				
Within one year	435	344	275	266
Non-current portion:				
In more than one year and not more than two years	462	276	245	246
In more than two years but not more than five years	248	456	212	191
	1,145	1,076	732	703

As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 April 2017, certain motor vehicles were leased under finance lease arrangement. As at the Latest Practicable Date, these leases had remaining lease terms ranging from approximately one to three years. All leases are on fixed repayment bases and no arrangements have been entered into for contingent rental payments. As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 April 2017, our obligations under finance leases were relatively stable at approximately HK\$1.1 million, HK\$1.1 million, HK\$0.7 million and HK\$0.7 million, respectively. Our obligations under finance leases were secured by the title to the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default of repayment by our Group. During the years ended 31 March 2015 and 2016, our obligations under finance leases were guaranteed by personal guarantee executed by Mr. Chan and such personal guarantee has been released as at 31 March 2016.

Our obligations under finance leases bore interests which were fixed at the respective contract dates ranging from 3.44% to 4.76% per annum for the years ended 31 March 2015, 31 March 2016 and 31 March 2017 and for the one month ended 30 April 2017.

Other borrowings

As at 31 March 2015, we had other borrowings of approximately HK\$0.5 million from an entity controlled by a relative of Mr. Yiu. The amount carried interest at a fixed rate of 8% per annum and was repayable within one year based on the scheduled payment terms. The amount was secured by personal guarantees provided by Mr. Chan and Mr. Yiu, and was secured by 90% equity interest of My Heart Lingerie. The amount was repaid in full on 5 July 2015 and the guarantees and the pledge of shares were released.

Banking facilities

In August 2014, My Heart Lingerie entered into two banking facility letters with a commercial bank in Hong Kong for two banking facilities in aggregate up to HK\$6.0 million with an interest rate charged at 1.0% per annum below the Hong Kong Dollar Prime Lending Rate from time to time quoted by such bank. The loan facility was secured by the personal guarantees of Mr.

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Chan, Mr. Yiu and another then director of My Heart Lingerie. These facilities were not utilised by our Group during the Track Record Period before their termination during the year ended 31 March 2015.

In April 2016, My Heart Lingerie obtained a new banking facility letter from a commercial bank in Hong Kong for a non-revolving corporate tax loan of HK\$3.0 million with an interest charged at a floating rate with reference to the bank's best lending rate in Hong Kong dollars. The loan facility was unsecured and guaranteed by personal guarantees of Mr. Chan and Mr. Yiu. Such banking facility was fully drawn down in one lump sum by our Group in April 2016. The amount drawn down would be repaid in 24 equal monthly instalments (with principal and interest) commencing on the date falling one month from the loan drawdown date. The purpose of the loan facility was for the tax payment and/or working capital of My Heart Lingerie. At the close of business on 30 April 2017, we had outstanding bank borrowing from such loan facility of approximately HK\$1.5 million. Our Directors confirm that the personal guarantees provided by our Directors in respect of our Group's banking facility will be released upon Listing.

In August 2016, My Heart Lingerie obtained a new banking facility from a commercial bank in Hong Kong for a revolving credit card limit of HK\$0.2 million and such credit limit was increased to HK\$0.4 million in December 2016. The credit card facility was unsecured, unguaranteed and non-interest bearing with repayment period within one month. At the close of business on 30 April 2017, we had outstanding bank borrowing from such credit card facility of approximately HK\$75,000.

Our borrowings are denominated in Hong Kong dollars. Our Directors confirm that there was no material delay or default in repayment of our indebtedness, nor breach of any relevant finance covenant on our part, during the Track Record Period. There was no material covenant relating to our Group's outstanding debts. We intend to continue to finance portions of our capital expenditure primarily with cash generated from our operating activities.

To the best knowledge and belief of our Directors, our Group will not have material difficulties in obtaining new banking facilities or renewing our existing banking facilities after Listing.

Contingent liabilities

As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 April 2017, we did not have any material contingent liabilities or guarantees.

Save as disclosed above, and apart from the intra-group liabilities, our Group did not have any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities as at 30 April 2017, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

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Material indebtedness change

Our Directors confirm that, up to the Latest Practicable Date, there had been no material change in the indebtedness, capital commitment and contingent liabilities of our Group since 30 April 2017, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

As at the Latest Practicable Date, our Group did not have any plan to raise any material debt financing shortly after the Listing.

OPERATING LEASE COMMITMENTS

As at 31 March 2015, 31 March 2016 and 31 March 2017, our Group had the following operating lease commitments in respect of the leased properties for our retail stores, offices, factories and warehouse in Hong Kong and the PRC:

	As at 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within one year	8,766	9,993	9,248
In the second to fifth year inclusive	<u>4,264</u>	<u>2,914</u>	<u>5,851</u>
Total	<u><u>13,030</u></u>	<u><u>12,907</u></u>	<u><u>15,099</u></u>

As at 31 March 2015, an employee and a related party of our Group controlled by Mr. Chan and Mr. Yiu, have entered into three and two operating leases, respectively, on behalf of our Group. The operating lease commitments in respect of these leased properties are as follows:

	As at 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,130	—	—
In the second to fifth year inclusive	<u>291</u>	<u>—</u>	<u>—</u>
Total	<u><u>1,421</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

These operating lease commitments have become the commitments of our Group by the end of the year ended 31 March 2016.

CAPITAL COMMITMENTS

As at 31 March 2015, 31 March 2016 and 31 March 2017, our Group had no material capital commitments.

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CAPITAL EXPENDITURES

Historical capital expenditures

During the Track Record Period, our Group's capital expenditures primarily comprised (i) purchases of motor vehicles of approximately HK\$1.5 million, HK\$1.3 million and nil; (ii) leasehold improvements of approximately HK\$1.5 million, HK\$0.3 million and HK\$1.4 million; and (iii) purchases of equipment, furniture and fixtures of approximately HK\$0.5 million, HK\$0.5 million and HK\$0.5 million for the three years ended 31 March 2017, respectively. Our Group principally funded its capital expenditures through internal resources.

Planned capital expenditures

Save for the planned usage of the net proceeds from the Public Offer as disclosed in "Future Plans and Use of Proceeds", and the addition of property, plant and equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

PROPERTY INTEREST

As at the Latest Practicable Date, we leased 16 properties in Hong Kong and the PRC from Independent Third Parties for our retail stores, offices, factories and warehouse. Please see "Business — Our retail network — our retail stores" and "Business — Properties" for details of our leased properties. As at the Latest Practicable Date, we do not own any properties in Hong Kong and the PRC.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions in relation to, among others, the sale of lingerie products to related parties, the provision of personal guarantees by our Directors and the compensation of our key management personnel, details of which are set out in note 29 to the Accountants' Report. Our Directors confirm that during the Track Record Period, these related party transactions were conducted in arm's length basis based on normal commercial terms, and were no less favourable than terms available from Independent Third Parties and were fair and reasonable.

Having considered that the amounts of these related party transactions are immaterial as compared to the revenue generated by our Group, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

Our Directors confirm that, save for the related party transactions related to the compensation of our key management personnel and the provision of personal guarantees by our Directors for (i) the operating leases of two retail stores entered into by My Heart Lingerie; and (ii) the banking facility for a non-revolving corporate tax loan of HK\$3.0 million as detailed in "— Indebtedness — Banking facilities" above, the other related party transactions were ceased during the Track Record Period.

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OFF-BALANCE SHEET TRANSACTIONS

We had not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

ANALYSIS OF KEY FINANCIAL RATIOS

	For the year ended 31 March		
	2015	2016	2017
Net profit margin before interest and tax (%) (Notes 1 and 10)	18.7	19.9	4.8
Net profit margin (%) (Notes 2 and 10)	14.7	15.2	1.4
Return on equity (%) (Notes 3 and 10)	85.6	47.7	41.8
Return on total assets (%) (Notes 4 and 10)	11.9	9.7	1.1
Interest coverage (times) (Notes 5 and 10)	22.3	55.3	35.5

	As at 31 March		
	2015	2016	2017
Current ratio (Note 6)	1.1	1.2	1.0
Quick ratio (Note 7)	0.7	0.8	0.7
Gearing ratio (%) (Note 8)	30.2	26.4	96.7
Debt-to-equity ratio (%) (Note 9)	14.5	7.5	N/A

Notes:

1. Net profit margin before interest and tax is calculated based on the net profit attributable to owners of our Company by adding back the interest and tax expenses for the financial year divided by total revenue for the financial year multiplied by 100%.
2. Net profit margin is calculated based on the net profit attributable to owners of our Company for the financial year divided by total revenue for the financial year and multiplied by 100%.
3. Return on equity is calculated based on the net profit attributable to owners of our Company for the financial year divided by total equity attributable to owners of our Company at the end of the financial year and multiplied by 100%.
4. Return on total assets is calculated based on the net profit attributable to owners of our Company for the financial year divided by total assets at the end of the financial year and multiplied by 100%.
5. Interest coverage is calculated based on the profit before interest and tax attributable to owners of our Company for the financial year divided by interest expenses for the financial year.
6. Current ratio is calculated based on the total current assets at the end of the financial year divided by the total current liabilities at the end of the financial year.
7. Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the financial year divided by the total current liabilities at the end of the financial year.
8. Gearing ratio is calculated based on total debt at the end of the financial year divided by total equity attributable to owners of our Company at the end of the financial year and multiplied by 100%.

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9. Debt-to-equity ratio is calculated based on net debt at the end of the financial year divided by total equity attributable to owners of our Company at the end of the financial year and multiplied by 100%. Net debt is defined to include all borrowings net of bank balances and cash.
10. The decrease in profit for the year ended 31 March 2017 was mainly attributable to the Listing expenses of approximately HK\$11.4 million incurred.

Net profit margin before interest and tax and net profit margin

Net profit margin before interest and tax increased from approximately 18.7% for the year ended 31 March 2015 to approximately 19.9% for the year ended 31 March 2016. Excluding the Listing expenses, our net profit margin before interest and tax would be approximately 23.6% for the year ended 31 March 2016. Such increase was mainly due to the increase in our revenue and gross profit, while our operating expenses were maintained at relatively stable levels during the years ended 31 March 2015 and 2016.

Our net profit margin was stable at approximately 14.7% and 15.2% for the years ended 31 March 2015 and 2016, respectively. The increase in net profit margin in a lesser extent as compared to the net profit margin before interest and tax was mainly due to the increase in our net profit before interest and tax mitigated by the increase in our effective tax rate for the year ended 31 March 2016 as a result of the non-deductible Listing expenses and the increase in PRC EIT.

Our net profit margin before interest and tax and net profit margin were approximately 4.8% and 1.4%, respectively for the year ended 31 March 2017. The decrease in our net profit margin before interest and tax and net profit margin as compared to the year ended 31 March 2016 was mainly due to the Listing expenses of approximately HK\$11.4 million having been recognised during the year. Excluding the Listing expenses, our net profit margin before interest and tax and net profit margin would be approximately 19.4% and 16.0%, respectively.

Return on equity

Return on equity decreased from approximately 85.6% for the year ended 31 March 2015 to approximately 47.7% for the year ended 31 March 2016. Such decrease was mainly attributable to the increase in our equity base as a result of the profit recognised for the year ended 31 March 2016. Return on equity decreased to approximately 41.8% for the year ended 31 March 2017 mainly due to the Listing expenses of approximately HK\$11.4 million having been recognised during the year. Excluding the Listing expenses, the return on equity would be approximately 490.9%. Such increase was mainly attributable to the decrease in our equity base as a result of the distribution of an interim dividend of HK\$15.0 million in July 2016.

Return on total assets

Return on total assets decreased from approximately 11.9% for the year ended 31 March 2015 to approximately 9.7% for the year ended 31 March 2016. Such decrease was mainly due to the increase in our total assets as a result of the increase in amounts due from related parties, trade and other receivables, inventories and bank balances and cash. Return on total assets decreased to approximately 1.1% for the year ended 31 March 2017 and such decrease was mainly due to the

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decrease in the net profit attributable to owners of our Company as a result of the Listing expenses of approximately HK\$11.4 million incurred. Excluding the Listing expenses, the return on total assets would be approximately 13.3%, reflecting the increase in gross profit for the year.

Interest coverage

Our Group had interest coverage of approximately 22.3 times and 55.3 times for the years ended 31 March 2015 and 2016, respectively. Such increase was mainly due to (i) the decrease in finance costs for the year ended 31 March 2016 as a result of the repayment of borrowings during the year ended 31 March 2016; and (ii) the increase in profit before the finance costs for the year ended 31 March 2016.

Our Group had interest coverage of approximately 35.5 times for the year ended 31 March 2017. Excluding the Listing expenses, our interest coverage would be approximately 144.8 times, which is significantly higher than that of the year ended 31 March 2016 mainly due to (i) the increase in profit before interest and tax during the year ended 31 March 2017; and (ii) the decrease in finance cost as a result of the comparatively lower amounts of borrowings during the year.

Current ratio and quick ratio

Current ratio and quick ratio slightly increased from approximately 1.1 and 0.7 as at 31 March 2015 to approximately 1.2 and 0.8 as at 31 March 2016, respectively, primarily due to the increase in our current assets mainly as a result of the increase in amount due from related parties, trade and other receivables, inventories and bank balances and cash, which outweighed the increase in our current liabilities mainly as a result of the increase in deferred revenue and amount due to a related party. After excluding the increase in our inventories as at 31 March 2016, the increase in our current assets still outweighed the increase in our current liabilities.

Current ratio and quick ratio decreased from approximately 1.2 times and 0.8 times as at 31 March 2016 to approximately 1.0 times and 0.7 times as at 31 March 2017, respectively. The decrease in both ratios was mainly due to the increase in our current liabilities resulting from the increase in deferred revenue due to the increase in purchase of credit packages by our members as well as the decrease in amounts due from Directors and related parties following the distribution of an interim dividend of HK\$15.0 million by way of setting off with amount due from Directors and related parties. As our inventories to current assets ratio increased to approximately 29.8% as at 31 March 2017 as compared to approximately 28.1% as at 31 March 2016, after excluding our inventories, our quick ratio decreased at a slightly greater extent than the current ratio.

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Gearing ratio and debt-to-equity ratio

Gearing ratio decreased from approximately 30.2% as at 31 March 2015 to approximately 26.4% as at 31 March 2016. The decrease was primarily due to the increase in our equity base as a result of the profit recognised for the year ended 31 March 2016 and no dividend being declared or paid during the year ended 31 March 2016, mitigated by the increase in amount due to a related party. Gearing ratio increased significantly from approximately 26.4% as at 31 March 2016 to approximately 96.7% as at 31 March 2017. The increase was primarily due to the decrease in equity base, in particular the retained profits, as a result of the declaration of an interim dividend of HK\$15.0 million in July 2016 which was distributed by way of setting-off with amount due from Directors and related parties.

Debt-to-equity ratio decreased from approximately 14.5% as at 31 March 2015 to approximately 7.5% as at 31 March 2016. Debt-to-equity ratio decreased at a greater extent than our gearing ratio mainly due to the increase in our bank balances and cash from approximately HK\$1.4 million as at 31 March 2015 to approximately HK\$3.4 million as at 31 March 2016. Debt-to-equity ratio was not applicable to our Group as at 31 March 2017 since our Group recorded net cash position as at 31 March 2017.

SENSITIVITY AND BREAKEVEN ANALYSIS

Sensitivity analysis

During the Track Record Period, our largest operating cost components included rental and related expenses and staff costs. For the year ended 31 March 2016, these two largest operating cost components amounted to approximately HK\$15.0 million and HK\$14.3 million, respectively, which represented approximately 27.0% and 25.7% of our revenue of approximately HK\$55.6 million for the same year, respectively. For the year ended 31 March 2017, these two largest operating cost components amounted to approximately HK\$17.3 million and HK\$24.0 million, respectively, which represented approximately 22.2% and 30.9% of our revenue of approximately HK\$77.7 million for the same year, respectively. Any material fluctuation in these operating cost components may affect the results of our operations.

For the year ended 31 March 2015, these two operating cost components amounted to approximately HK\$13.2 million and HK\$13.8 million, respectively. For the year ended 31 March 2016, these two operating cost components increased by approximately 14.1% and 3.8% as compared to the prior year, respectively. For the year ended 31 March 2017, these two operating costs further increased by approximately 14.8% and 68.2% as compared to the prior year. In this regard, we made a sensitivity analysis on the changes in rental and related expenses and staff costs based on the average of the aforementioned historical fluctuation in such cost components of our Group in the future.

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The following table sets forth the sensitivity analysis on our rental and related expenses and staff costs, based on their respective historical year-on-year fluctuations of 14.5%, and 36.0% during the three years ended 31 March 2017, respectively, and their effects on our Group's profit before taxation for each financial year end during the Track Record Period with all other variables held constant. This sensitivity analysis is for illustrative purpose only. The actual results may differ from the sensitivity analysis below.

	Increase/(decrease) in percentage	Increase/(decrease) in profit before taxation		
		Year ended 31 March		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
Rental and related expenses	14.5%	(1,909)	(2,179)	(2,502)
	(14.5)%	1,909	2,179	2,502
Staff costs	36.0%	(4,958)	(5,147)	(8,655)
	(36.0)%	4,958	5,147	8,655

The following table sets out the sensitivity analysis on the changes in the average selling prices of our bras, body shaping underwear and chest support vests, being lingerie with shaping functions, on our revenue and net profit during the Track Record Period with all other variables held constant for illustrative purpose.

For the year ended 31 March 2015

(HK\$'000)	Changes in the average selling price of bras, body shaping underwear and chest support vests					
	-15%	-10%	-5%	+5%	+10%	+15%
Changes in revenue	(6,401)	(4,268)	(2,134)	2,134	4,268	6,401
Changes in net profit (<i>Note</i>)	(5,345)	(3,563)	(1,782)	1,782	3,563	5,345

For the year ended 31 March 2016

(HK\$'000)	Changes in the average selling price of bras, body shaping underwear and chest support vests					
	-15%	-10%	-5%	+5%	+10%	+15%
Changes in revenue	(7,224)	(4,816)	(2,408)	2,408	4,816	7,224
Changes in net profit (<i>Note</i>)	(6,032)	(4,021)	(2,011)	2,011	4,021	6,032

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For the year ended 31 March 2017

(HK\$'000)	Changes in the average selling price of bras, body shaping underwear and chest support vests					
	-15%	-10%	-5%	+5%	+10%	+15%
Changes in revenue	(10,206)	(6,804)	(3,402)	3,402	6,804	10,206
Changes in net profit (<i>Note</i>)	(8,522)	(5,681)	(2,841)	2,841	5,681	8,522

Note: The Hong Kong profits tax rate of 16.5% is applied for the illustration of the increase or decrease in net profit for the year.

Breakeven analysis

For the year ended 31 March 2015, it is estimated that, by holding all other variables constant and with an increase in (i) rental and related expenses by approximately 75.6%; or (ii) staff costs by approximately 72.3%, our Group would achieve breakeven.

For the year ended 31 March 2016, it is estimated that, by holding all other variables constant and with an increase in (i) rental and related expenses by approximately 73.5%; or (ii) staff costs by approximately 77.3%, our Group would achieve breakeven.

For the year ended 31 March 2017, it is estimated that, by holding all other variables constant and with an increase in (i) rental and related expenses by approximately 20.8%; or (ii) staff cost by approximately 14.9%, our Group would achieve breakeven.

DIVIDEND

During the years ended 31 March 2015 and 2016, no dividends have been declared and paid by the companies now comprising our Group to their then respective shareholders. During the year ended 31 March 2017, we declared an interim dividend of HK\$15.0 million and such dividend has been distributed by way of setting off with the amounts due from Directors and related parties.

Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Law and our Articles. Subject to the Companies Law and our Articles, our Company may in a general meeting declare dividends, but no dividends shall exceed the amount recommended by our Board. Our Board may, subject to our Articles, from time to time, pay to our Shareholders such dividends as appear to our Board to be justified by the financial conditions and the profits of our Company. Our Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit. The amount of any dividends to be declared and paid in the future will depend on, among other things, our dividend policy, results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount

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set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Currently, we do not have any predetermined dividend distribution ratio.

FINANCIAL RISK MANAGEMENT

Interest rate risk

Our Group's exposure to interest rate risk relates principally to our obligations under finance leases and bank and other borrowings. We are also exposed to cash flow interest rate risk in relation to our bank balances with variable rates. We monitor our interest rate exposure on an ongoing basis and will consider hedging any significant interest rate risks. No sensitivity analysis is presented since we consider that the exposure of cash flow interest rate risk arising from our bank balances with variable rates is limited due to their short maturities.

Credit risk

As at 31 March 2015, 31 March 2016 and 31 March 2017, our maximum exposure to credit risk which will cause a financial loss to our Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position. In order to minimise the credit risk, we review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, we consider that our credit risk is significantly reduced.

As at 31 March 2015, 31 March 2016 and 31 March 2017, our Group's credit risk is primarily attributable to our amounts due from Directors and related parties. We assess the recoverability by reviewing and monitoring their financial position and results periodically and we consider the default risk to be insignificant. Regarding the credit risk on trade receivables, we consider there is no significant credit risk as they are balances due from banks and shopping malls with good reputation. The credit risk on liquid funds is limited because the counterparties are banks with good reputation. We are exposed to concentration of credit risk on liquid funds which are deposited with a few banks.

Liquidity risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by us to finance our Group's operations and mitigate the effects of fluctuations in cash flows. We believe that our Group will have sufficient working capital for our future operational requirement.

Please refer to note 25b to the Accountants' Report for details on the remaining contractual maturities of our non-derivative financial liabilities at the end of each reporting period during the Track Record Period.

For the year ended 31 March 2017, our Directors have particularly given careful considerations to the future liquidity of our Group since its current liabilities exceeded our current assets by approximately HK\$4.1 million as at 31 March 2017. Taking into account of the

FINANCIAL INFORMATION

internally generated funds, the bank balances and cash on hand, our Directors are confident that we will be able to meet our financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the financial information of our Group has been prepared on a going concern basis.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of the unaudited pro forma adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Public Offer on the consolidated net tangible assets of our Group attributable to owners of our Company as at 31 March 2017 as if the Public Offer had taken place on that date.

The statement of the unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to owners of our Company had the Public Offer been completed as at 31 March 2017 or at any future dates. It is prepared based on the audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 March 2017 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of our Group attributable to owners of the Company as at 31 March 2017	Estimated net proceeds from the Public Offer	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on a Offer Price of HK\$0.40 per Offer Share	2,531	31,274	33,805	0.070
Based on a Offer Price of HK\$0.60 per Offer Share	2,531	54,374	56,905	0.119

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 March 2017 is based on the consolidated net assets of our Group attributable to owners of our Company of HK\$2,531,000 as at 31 March 2017 as extracted from the Accountants' Report set forth in Appendix I to this prospectus.
- (2) The adjustment to the statement of the unaudited pro forma adjusted consolidated net tangible assets of our Group reflects the estimated net proceeds from the Public Offer to be received by our Company. The estimated net proceeds from the Public Offer is based on 120,000,000 Shares at the Offer Price of HK\$0.40 and HK\$0.60 per share, being the low-end and high-end of the stated Offer Price range, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by our

FINANCIAL INFORMATION

Group subsequent to 31 March 2017 and does not take into account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.

- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 March 2017 per Share is based on 480,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Public Offer assumed to be on 31 March 2017. It does not take into account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 March 2017 to reflect any trading results or other transactions of our Group entered into subsequent to 31 March 2017.

DISTRIBUTABLE RESERVES

Under Companies Law, our Company may pay dividends out of our Company's profit or share premium account in accordance with the provisions of our Articles and the Companies Law, provided that, in the case of payment of dividends out of our Company's share premium account, immediately following the date on which the dividend is proposed to be paid, our Company will remain able to pay our debts as they fall due in the ordinary course of business. Our Company was incorporated on 27 May 2016 and there was no distributable reserve as at 31 March 2015, 31 March 2016 and 31 March 2017, respectively.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

POST BALANCE SHEET EVENTS

Subsequent to 31 March 2017, the written resolutions of our sole Shareholder were passed on 19 June 2017 to approve, among other things, (a) the Share Option Scheme was conditionally adopted on 19 June 2017 and the principal terms of which are summarised in Appendix IV to this prospectus; and (b) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares by our Company, the Directors were authorised to capitalise approximately HK\$3,599,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 359,990,000 Shares for allotment and issue to the sole Shareholder.

Please also refer to “— Recent developments and material adverse change” below.

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RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Our business operations have remained stable after the Track Record Period. In June 2017, we entered into a tenancy agreement with the relevant landlord to renew the lease of Store 5 for another term of two years, commencing from 22 June 2017 and ending on 21 June 2019. We also entered into a tenancy agreement with the relevant landlord in June 2017 to renew the lease of Store 8 for another term of two years, commencing from 19 June 2017 and ending on 18 June 2019.

Save for (i) the expected material adverse impact on our Group's financial performance for the year ending 31 March 2018 which is anticipated to be caused by the non-recurring Listing expenses; and (ii) the expected material adverse impact on our Group's financial performance and liquidity during the period from the Latest Practicable Date to 31 March 2018 primarily due to the relatively high capital expenditure required for our expansion plan as detailed in "Future Plans and Use of Proceeds", as well as the increase in Director's fees, staff costs and legal and professional fees subsequent to the Listing, our Directors confirm that, since 31 March 2017 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects and there had been no event which would materially affect the information in our consolidated financial statement included in the Accountants' Report set forth in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS STRATEGIES

Our Group conducted a feasibility study on our expansion plan into Hong Kong, the PRC and Macau and our expansion plan was made with reference to the results of that feasibility study. In conducting such feasibility study, we have taken into account, among others, the following key factors: (i) our Company's leading market position as one of the top two players in the functional lingerie market in Hong Kong in terms of retail turnover for the year ended 31 December 2016; (ii) the potential market growth rates of Hong Kong, the PRC and Macau; (iii) customer preferences and market acceptance of our Group's products; (iv) our Group's financial resources; and (v) our Group's production capacity. In order to achieve our business objectives as detailed in "Business — Business strategies", we plan to use the proceeds obtained from the Public Offer for the following purposes: (a) continue to strengthen our leading market position in Hong Kong, and expand our retail network in Hong Kong, the PRC and to Macau; (b) further strengthen our brand awareness and reputation; (c) increase our production capacity and product development capabilities; (d) strengthen our operational efficiency; and (e) working capital and other general corporate purposes.

IMPLEMENTATION PLAN

We will endeavour to achieve the following milestone events during the period from the Listing Date to 31 March 2020, and their respective scheduled completion time are based on certain bases and assumptions as set out in "— Bases and assumptions".

For the period from the Listing Date to 30 September 2017

Business strategy	Implementation plan
Expand our retail network	<ul style="list-style-type: none">● Open one retail store in Hong Kong, one retail store in Macau and one retail store in the PRC, including one-off renovation, rental deposits and inventory.● Employ six more sales persons in Hong Kong, the PRC and Macau for our new retail stores.
Further strengthen our brand awareness and reputation	<ul style="list-style-type: none">● Increase our marketing efforts by, among others, placing more advertisements in newspapers, magazines, social media, websites and billboards.
Increase our production capacity and product development capability	<ul style="list-style-type: none">● Allocate resources for setting up a new factory and a warehouse in the PRC.● Set up a team to work with CDAHK to improve the functionality of our lingerie products.
Strengthen our operational efficiency	<ul style="list-style-type: none">● Upgrade our POS system including functions such as goods receipt cost allocation, inventory reports, sales reports, etc.

FUTURE PLANS AND USE OF PROCEEDS

Business strategy

Implementation plan

- Enhance our very important persons (VIP) credit functions in our retail stores including modifications such as accumulation of credit and non-expiry of pre-paid package.
- Purchase a software licence including finance, supply chain management and manufacturing modules for facilitating the purchasing, production and warehouse functions of our operations in Hong Kong.

For the six months ending 31 March 2018

Business strategy

Implementation plan

Expand our retail network

- Open two retail stores in Hong Kong, one retail store in Macau and two retail stores in the PRC, including one-off renovation, rental deposits and inventory.
- Employ 10 more sales persons in Hong Kong, the PRC and Macau for our new retail stores and retain the new sales persons employed for our new retail stores.

Further strengthen our brand awareness and reputation

- Increase our marketing efforts by, among others, placing more advertisements in newspapers, magazines, social media, websites and billboards.

Increase our production capacity and product development capabilities

- Set up a new factory and a warehouse in the PRC, including renovation, purchase of cutting and sewing machines, rental deposit, employing approximately 50 production workers and other miscellaneous costs.
- Strengthen our research and development capabilities by employing two more product designers.
- Continue to work with CDAHK to improve the functionality of our lingerie products.

Strengthen our operational efficiency

- Purchase an enhanced POS module for our new retail stores.
- Purchase a software licence including finance, supply chains management and manufacturing modules for facilitating the purchasing, production and warehouse functions of our operations in the PRC.
- Integrate our information technology systems.
- Upgrade our information technology hardware such as servers, computers, printers and scanners.

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 September 2018

Business strategy

Implementation plan

Expand our retail network

- Open two retail stores in Hong Kong, one retail store in Macau and two retail stores in the PRC, including one-off renovation, rental deposits and inventory.
- Employ 10 more sales persons in Hong Kong, the PRC and Macau for our new retail stores and retain the new sales persons employed for our new retail stores.

Further strengthen our brand awareness and reputation

- Increase our marketing efforts by, among others, placing more advertisements in newspapers, magazines, social media, websites and billboards.

Increase our production capacity and product development capabilities

- Retain the production workers and product designers employed during the six months ending 31 March 2018 to continue to strengthen our production and research and development capabilities.
- Continue to work with CDAHK to improve the functionality of our lingerie products.

Strengthen our operational efficiency

- Purchase an enhanced POS module our new retail stores.
- Maintain and upgrade our software including finance, supply chains management and manufacturing modules.
- Continue to integrate our information technology systems and upgrade our information technology hardware such as servers, computers, printers and scanners.

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 March 2019

Business strategy

Implementation plan

Expand our retail network

- Open one retail store in Hong Kong and three retail stores in the PRC, including one-off renovations, rental deposits and inventory.
- Employ 13 more sales persons in Hong Kong, the PRC and Macau for our new retail stores and retain the new sales persons employed for our new retail stores.

Further strengthen our brand awareness and reputation

- Increase our marketing efforts by, among others, placing more advertisements in newspapers, magazines, social media, websites and billboards.

Increase our production capacity and product development capabilities

- Retain the production workers and product designers employed during the six months ending 31 March 2018 to continue to strengthen our production and research and development capabilities.
- Continue to work with CDAHK to improve the functionality of our lingerie products.

Strengthen our operational efficiency

- Purchase an enhanced POS module for our new retail stores.
- Maintain and upgrade our software including finance, supply chains management and manufacturing modules.
- Continue to integrate our information technology systems and upgrade our information technology hardware such as servers, computers, printers and scanners.

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 September 2019

Business strategy

Implementation plan

Expand our retail network

- Open three retail stores in the PRC, including one-off renovation, rental deposits and inventory.
- Employ eight more sales persons in the PRC for our new retail stores and retain the sales persons employed for our new retail stores.

Further strengthen our brand awareness and reputation

- Increase our marketing efforts by, among others, placing more advertisements in newspapers, magazines, social media, websites and billboards.

Increase our production capacity and product development capabilities

- Retain the production workers and product designers employed during the six months ending 31 March 2018 to continue to strengthen our production and research and development capabilities.
- Continue to work with CDAHK to improve the functionality of our lingerie products.

Strengthen our operational efficiency

- Purchase an enhanced POS module for our new retail stores.
- Maintain and upgrade our software including finance, supply chains management and manufacturing modules.
- Continue to integrate our information technology systems and upgrade our information technology hardware such as servers, computers, printers and scanners.

For the six months ending 31 March 2020

We intend to utilise our net proceeds and complete the implementation plans of our business strategy by 30 September 2019. Therefore, there is no implementation plan laid out for this period.

FUTURE PLANS AND USE OF PROCEEDS

Details of our Group's future plan to expand our retail network

Set out below are further details of the new retail stores:

Location of the new retail stores:	Hong Kong (six retail stores): Mongkok, Tseung Kwan O, Diamond Hill, Causeway Bay, Tsim Sha Tsui, Tai Po The PRC (11 retail stores): Three in Shenzhen, two in Shanghai, three in Guangzhou, two in Beijing and one in Hangzhou Macau (three retail stores): Our Group has yet to decide on the exact locations
Floor area of the new retail stores:	Hong Kong: Aggregate floor area of approximately 3,000 sq. ft. The PRC: Aggregate floor area of approximately 1,000 sq. m. Macau: Aggregate floor area of approximately 1,500 sq. ft.
Timing and budgeted capital expenditure:	Approximately HK\$55.7 million from the Listing Date up to the six months ending 30 September 2019
Source of funding:	Use of proceeds from the Public Offer and internal resources
Expected breakeven periods <i>(Note):</i>	Hong Kong: Approximately 6 months The PRC: Approximately 12 months Macau: Approximately 6 months
Expected investment payback periods <i>(Note):</i>	Hong Kong: Approximately 1.8 months The PRC: Approximately 15.4 months Macau: Approximately 1.9 months

Note: The expected investment payback periods are different from the expected breakeven periods because their respective methods of calculation focus on different components. The investment payback calculation focuses on the pertinent cash flows of the period of time required to cover the amount of investment required for opening a retail store. The breakeven point is the number of months it takes from commencement of business for the accumulated net profit to be equal to the investment cost for opening a retail store.

The reason why retail stores in Hong Kong and Macau have comparatively shorter investment payback periods is that while the initial fixed costs for opening a retail store in Hong Kong, the PRC and Macau are similar, our Directors expect that the initial cash inflow from retail stores in the PRC will not be as strong due to limited brand awareness in the PRC. On the other hand, our Directors estimate that the monthly operating expenses for retail stores in Hong Kong and Macau are comparatively higher than in the PRC, hence the breakeven period of retail stores in the PRC is comparatively shorter than its investment payback period, while on the other hand the breakeven period for retail stores in Hong Kong and Macau are comparatively longer than their investment payback period.

FUTURE PLANS AND USE OF PROCEEDS

Relevant regulatory approval required: Except for a valid business registration certificate under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), our Directors confirm that we are not required to obtain any industry-specific licence, permit, authorisation, qualification or approval for our Group's operation of retail stores in Hong Kong.

According to our PRC Legal Advisers, a business licence is required to be obtained through applying to the relevant commerce department and registration authority.

Our Group will seek legal advice in relation to the expansion to Macau as and when appropriate.

Details of our Group's future plan to increase our production capacity and product development capabilities

Set out below are further details of the new factory and warehouse:

Designed production capacity of the new factory: Approximately 303,000 units, consisting of approximately 189,000 units of bras, 20,250 units of body shaping underwear and 93,750 units of chest support vests and panties.

Number and types of machines to be purchased: Approximately 176 sewing machines, 14 auxiliary equipment, 20 warehouse maintenance equipment and 10 cutting machines.

Types of products to be produced: Bras, body shaping underwear, chest support vests and panties.

Timing and budgeted capital expenditure: Approximately HK\$4.4 million during the six months ending 31 March 2018.

Source of funding: Use of proceeds from the Public Offer and internal resources.

Relevant regulatory approval required: According to our PRC Legal Advisers, a business licence is required to be obtained through applying to the relevant commerce department and registration authority.

Our Group's management plan

Our Group will continue to work with our existing suppliers for our Shenzhen Factory and Hong Kong Factory to secure principal raw materials to be used in the new factory in the PRC, and ensure that all our suppliers satisfy our evaluation and assessment criteria. In addition, in order to monitor the production quality and ensure that our products meet all of our customers'

FUTURE PLANS AND USE OF PROCEEDS

benchmarks and specifications, we intend to implement in the new factory in the PRC the same stringent quality control system as currently adopted by our Shenzhen Factory and Hong Kong Factory.

Following the success in our marketing campaign on social media and online video sharing platform which drove the increase in our sales during the years ended 31 March 2016 and 2017, we intend to adhere to such marketing strategy in Hong Kong and the PRC to continue to focus our efforts on such media platforms.

We plan to hire a marketing consultant to focus on the functional lingerie markets in Hong Kong, the PRC and Macau, with a view to keep up to date with the latest market trends. In order to manage our new retail stores efficiently, we also plan to hire two more sales managers to supervise our sales staff in the PRC. They will regularly report to our Directors and senior management team in Hong Kong. Given the proximity of distance between Hong Kong and Macau, our sales managers in Hong Kong will also manage our retail stores in Macau. Moreover, to efficiently integrate our production facilities, we aim to relocate part of our workers in our Shenzhen Factory to a new factory to utilise their expertise and technical know-how in the design and production of functional lingerie and to train the new workers to speed up the learning process, so as to allow for better efficiency in managing our production process and accommodating the initial slow start-up process.

By strategically locating the new factory in close proximity to our Shenzhen Factory and our retail stores in several major cities, we will be able to centralise our resources and save costs in the long run, while extending our reach to potential customers in other parts of Hong Kong, the PRC and Macau.

In carrying out our expansion plan, our Directors expect that the financial performance and liquidity of our Group may be negatively affected during the period from the Listing Date to 31 March 2018 primarily due to the relatively higher capital expenditure required. Following the initial capital expenditure, our Directors expect that the profitability and liquidity of our Group would be strengthened and our Group is expected to generate profit and cash inflow based on the expansion plan.

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our business objectives depends on the following general assumptions and specific assumptions:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong, the PRC and Macau or in any other places in which any member of our Group carries on its business or will carry on its business;
- there will be no material changes in the bases or rates of taxation in Hong Kong, the PRC or Macau or in any other places in which any member of our Group operates or will operate;

FUTURE PLANS AND USE OF PROCEEDS

- there will be no material changes in legislation or regulations whether in Hong Kong, the PRC or Macau or elsewhere materially affecting the business carried on by our Group;
- there will be no significant changes in our business relationship with our major suppliers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined in “— Implementation plan”;
- the Public Offer will be completed in accordance with and as described in “Structure and Conditions of the Public Offer”;
- we will not be materially affected by the risk factors as set out in “Risk Factors”; and
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate.

REASONS FOR THE PUBLIC OFFER AND USE OF PROCEEDS

Our Company intends to raise funds by the Public Offer in order to facilitate the implementation of our business strategies as set out in “Business — Business strategies”. The net proceeds from the Public Offer will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position and expand our market share. In particular, we plan to further expand our retail network in Hong Kong, the PRC and to Macau. Although we had bank balances and cash of approximately HK\$48.3 million as at 31 March 2017 and our Controlling Shareholders will settle the amounts due from Directors and related parties of approximately HK\$4.7 million prior to the Listing, our Directors recognise the need for further capital to expand our business in order to maintain our leading position in the functional lingerie market of Hong Kong. Furthermore, we consider that the Public Offer will enable our Group to maintain a lower level of gearing ratio, which benefits our Group and Shareholders as a whole, and enhance our capital structure. Our Directors consider that the use of equity financing would be a better alternative than debt financing, as this could avoid the interest rate risks associated with debt financing, which exposes our Group to increasing financing cost in the future.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors further believe that the Listing would:

- provide a platform for our Group to access the capital markets for future secondary fund raising through the issuance of shares and for debt securities, which could involve lower financing cost as opposed to interest-bearing bank loans, and which can also provide funding sources to cater for our Group's further expansion plans (other than those future plans stated in this prospectus) as and when necessary. Furthermore, the ability to obtain bank financing is generally easier and cheaper with a listed entity as compared to a private entity;
- enhance market reputation and brand awareness of our Group. According to the Frost & Sullivan Report, in terms of the retail turnover for the year ended 31 December 2016, our Group ranked second in the functional lingerie market in Hong Kong. Our Directors believe that having a listing status can enhance our corporate image and credibility with the public and potential business partners, and help our Group develop the retail market in the PRC with more media exposure. This will strengthen our competitiveness and help expand our market share in the industry;
- enhance our internal control and corporate governance practices, and increase the transparency in our operations and financial reporting. Our Directors are of the view that the Listing status will help advertise our Group to existing and potential suppliers and customers and could also increase our customers' and suppliers' confidence in the quality of our products and us which may in turn attract potential customers;
- broaden our shareholder base and enhance the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the Listing. Our Controlling Shareholders are not selling any Shares as part of the Public Offer, and currently have no intention to dispose of any Shares that he/it holds subsequent to the Public Offer. In addition, to demonstrate their commitment to the long-term development of our Group, each of our Controlling Shareholders has voluntarily undertaken to the Company, the Sponsor, the Joint Lead Managers, the Sole Bookrunner and the Underwriters that for an additional 12 months commencing on the date on which the undertaking under Rule 13.16A of GEM Listing Rules expires, he/it shall remain as our controlling shareholder. For details, please see "Underwriting — Lock-up undertakings"; and
- enable our Company to offer an equity-based incentive programme (such as a share option scheme) to our employees that correlates more directly to their performance in our Group's business. Our Company would therefore be in a better position to motivate our employees with incentive programmes that are closely aligned with the objective of creating value for our Shareholders. Our Directors believe that this would also improve our ability to recruit, motivate and retain key management personnel so as to expediently and effectively capture any business opportunities that may arise.

Having considered the benefits above, although the amount of the expenses for the Listing represents a significant proportion of the gross proceeds from the Public Offer, our Directors are of the view that such proportion is justifiable, and given the benefits as stated above, our Directors believe that the Listing is beneficial to us in the long run.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds to be received by us from the Public Offer, after deducting the underwriting commission and related expenses payable by our Company in the aggregate amount of approximately HK\$30.4 million, will be approximately HK\$29.6 million (assuming the Offer Price of HK\$0.5 per Offer Share, being the mid-point of the indicative Offer Price range). We intend to apply such net proceeds from the Public Offer as follows:

- approximately HK\$23.8 million, representing approximately 80.4% of the net proceeds from the Public Offer, will be used for expanding our retail network (covering costs relating to rental deposits and expenses, purchase of inventories, store renovation, sales staff salaries and sales managers' salaries);
- approximately HK\$0.9 million, representing approximately 3.0% of the net proceeds from the Public Offer, will be used for further strengthening our brand awareness and reputation (covering costs relating to placing advertisements on social media, websites, billboards, newspapers and magazines);
- approximately HK\$2.1 million, representing approximately 7.1% of the net proceeds from the Public Offer, will be used for increasing our production capacity and product development capabilities (covering costs relating to fixed asset costs, rental deposit and renovation for factory and warehouse);
- approximately HK\$2.4 million, representing approximately 8.1% of the net proceeds from the Public Offer, will be used for strengthening our operational efficiency (covering costs relating to the enhancement of the POS system and VIP credit function in the retail stores, installation of new computerised system for facilitating the purchase, production and warehousing functions in existing factories and the new PRC factory, and the purchase of new computers for the retail stores); and
- approximately HK\$0.4 million, representing approximately 1.4% of the net proceeds from the Public Offer, will be used for general working capital of our Group.

FUTURE PLANS AND USE OF PROCEEDS

A detailed breakdown of the use of proceeds for each of our business strategies (based on the Offer Price of HK\$0.5 per Offer Share, being the mid-point of the indicative Offer Price range, upon Listing but before 31 March 2020 is as follows:

Expand our retail network

	Hong Kong	Macau	The PRC	Total
Number of new retail stores opening	6	3	11	20
	<i>HK\$</i> <i>(in million)</i>	<i>HK\$</i> <i>(in million)</i>	<i>HK\$</i> <i>(in million)</i>	<i>HK\$</i> <i>(in million)</i>
Rental deposits	1.7	0.9	1.0	3.6
Purchase of inventories	3.1	1.6	5.7	10.4 <i>(Note 1)</i>
Store renovation	1.5	0.8	2.8	5.1
Sales staff salaries	<u>2.6 <i>(Note 2)</i></u>	<u>1.5 <i>(Note 2)</i></u>	<u>0.6 <i>(Note 2)</i></u>	<u>4.7 <i>(Note 3)</i></u>
Total	<u>8.9</u>	<u>4.8</u>	<u>10.1</u>	<u>23.8</u>

Notes:

1. The purchase of inventories is calculated based on the assumptions that (i) each retail store will maintain approximately 5,200 units of inventory, which is made with reference to the current minimal inventory level of each of our retail stores; and (ii) the average cost of each unit of inventory is approximately HK\$100.
2. The sales staff salaries in Hong Kong and Macau are calculated based on the average basic monthly salary of the sales staff of our Group in Hong Kong whereas the sales staff salaries in the PRC are calculated based on the statutory minimum wage of Shenzhen in 2016.
3. The sales staff salaries in Hong Kong and Macau will be fully funded by the net proceeds of the Public Offer whereas two-thirds of the sales staff salaries in the PRC will be funded by the net proceeds of the Public Offer and the remaining one-third of the sales staff salaries and the entire amount of the salaries of the sales managers in the PRC will be funded by our internal resources.

Further strengthen brand awareness and reputation

	<i>HK\$</i> <i>(in million)</i>
Placing advertisements on social media, websites, billboards, newspapers and magazines etc.	0.9

Increase our production capacity and product development capabilities

	<i>HK\$</i> <i>(in million)</i>
Fixed asset costs, rental deposit and renovation for factory and warehouse	2.1

FUTURE PLANS AND USE OF PROCEEDS

Strengthen our operation efficiency

	<i>HK\$</i> <i>(in million)</i>
Enhance the POS system and VIP credit function in the retail stores	1.0
Install new computerised system for facilitating the purchase, production and warehousing functions in existing factories and the new PRC factory	1.1
Purchase new computers for the retail stores	<u>0.3</u>
Total	<u>2.4</u>

All of the abovementioned costs for the implementation of our business strategies only represent part of the total costs required. To fully implement our business strategies, our Group will fund the total costs required partly by the proceeds from the Public Offer and partly by our Group's internal resources.

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds to be received by us from the Public Offer will increase or decrease by approximately HK\$11.7 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest of the indicative Offer Price range.

In the event that any part of the future plans does not materialise or proceed as planned, we will carefully evaluate the situation and may reallocate the intended funding to our other future plans and/or place the proceeds on short-term interest bearing deposit accounts with licenced banks and/or financial institutions in the PRC or Hong Kong so long as we consider it to be in the best interest of our Company and our Shareholders taken as a whole. Should our Directors decide to allocate the net proceeds from the Public Offer to business plans and/or new projects of our Group other than those disclosed in this prospectus after the Listing, we will make an announcement to notify our Shareholders and investors of the changes in compliance with the GEM Listing Rules.

According to current estimates, our Directors anticipate that the net proceeds from the Public Offer is approximately HK\$29.6 million (based on the Offer Price of HK\$0.5 per Offer Share, being the mid-point of the indicative Offer Price range), the cash and cash equivalents as at the Latest Practicable Date together with the projected cashflows from operations will be sufficient to finance the implementation of our Company's future plans up to 31 March 2020.

FUTURE PLANS AND USE OF PROCEEDS

In summary, the implementation of the future plans for the period from the Listing Date to 31 March 2020 will be funded by the net proceeds from the Public Offer as follows (based on the Offer Price of HK\$0.5 per Offer Share, being the mid-point of the indicative Offer Price range):

	From the	For the six months ending					Total
	Listing Date to	31 March	30 September	31 March	30 September	31 March	
	30 September 2017	2018	2018	2019	2019	2020	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(in million)</i>	<i>(in million)</i>	<i>(in million)</i>	<i>(in million)</i>	<i>(in million)</i>	<i>(in million)</i>	<i>(in million)</i>
Expand our retail network	3.3	5.5	5.9	5.0	4.1	—	23.8
Further strengthen brand awareness and reputation	0.2	0.2	0.2	0.2	0.1	—	0.9
Increase our production capacity and product development capabilities	—	2.1	—	—	—	—	2.1
Strengthen our operational efficiency	1.1	0.5	0.3	0.3	0.2	—	2.4
Working capital and other general corporate purposes	—	0.1	0.1	0.1	0.1	—	0.4
Total	4.6	8.4	6.5	5.6	4.5	—	29.6

SPONSOR'S INTEREST

Save as provided for under the Underwriting Agreement and save as disclosed in this prospectus, neither the Sponsor nor any of its close associates has or may have, as a result of the Public Offer, any interest in any securities of our Company or any other member of our Group (including rights to subscribe for such securities).

Neither the Sponsor nor any of its close associates has accrued any material benefit as a result of the successful outcome of the Public Offer, other than the following:

- (i) by way of the documentation and financial advisory fee to be paid to the Sponsor for acting as the sponsor of the Listing;
- (ii) by way of the compliance adviser fee to be paid to the Sponsor for acting as our Company's compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules;
- (iii) in taking up the underwriting obligations by Lego Securities Limited, being one of the Joint Lead Managers and one of the Underwriters, under the Underwriting Agreement;
- (iv) by way of an underwriting commission payable to Lego Securities Limited for acting as one of the Underwriters of the Public Offer pursuant to the Underwriting Agreement; and
- (v) certain close associates of the Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after the Listing on GEM.

None of the directors and employees of the Sponsor has any directorship in our Company or any other companies comprising our Group.

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UNDERWRITERS

Bonus Eventus Securities Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Convoy Investment Services Limited
Lego Securities Limited
Ping An Securities Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriters have severally agreed to subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

Grounds for termination

The Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) shall have the absolute right to terminate the Underwriting Agreement by notice in writing to our Company with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sponsor and/or the Joint Lead Managers:
 - (i) any statement contained in this prospectus, the Application Forms, the post hearing information pack, the formal notice, any submission, document or information provided to the Sponsor and/or the Joint Lead Managers and any announcement or document issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) (the “**Relevant Documents**”) which, considered by the Sponsor and/or the Joint Lead Managers in its/their sole and absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expression of opinion, intention or expectation contained in any such document is not in all material respects fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus, would have constituted, in the sole and absolute opinion of the Sponsor and/or the Joint Lead Managers, a material omission from the Relevant Documents in the context of the Public Offer; or

UNDERWRITING

- (iii) either (1) there has been a breach of any of the representations, warranties and undertakings or any other provisions contained in the Underwriting Agreement by any party thereto (other than the Sponsor, the Joint Lead Managers and the Underwriters); or (2) any matter or event showing or rendering any of the representations, warranties and undertakings or any other provisions contained in the Underwriting Agreement, in the sole and absolute opinion of the Sponsor and/or the Joint Lead Managers, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated; or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company or any of our Controlling Shareholders and the executive Directors pursuant to the indemnity provisions under the Underwriting Agreement or the Public Offer to be performed or implemented as envisaged; or
 - (v) any event, series of events, matter or circumstance occurs or arises on or after the date of the Underwriting Agreement and prior to 8:00 a.m. on the Listing Date, being an event, series of events, matter or circumstance which, if it had occurred before the date of the Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Underwriting Agreement, in the sole and absolute opinion of the Sponsor and/or the Joint Lead Managers, untrue, incorrect, inaccurate or misleading in any material respect; or
 - (vi) approval by the Stock Exchange for the listing of, and permission to deal in, the Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) our Company withdraws any of the Relevant Documents (and/or any other documents used in connection with the contemplated issue and sale of the Offer Shares); or
 - (viii) any person (other than the Sponsor, the Joint Lead Managers and any of the Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, riots, strikes, calamity, crisis, public disorder, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, economic sanctions, outbreaks of diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated forms), accidents, interruption or delay in transportation, any local,

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- national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong or anywhere in the world; or
- (ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, equity securities, credit, market, exchange control, stock market, financial market or other market conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation any change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting Hong Kong or anywhere in the world; or
 - (iii) any change in the general fund raising environment in Hong Kong or elsewhere; or
 - (iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the BVI or the Cayman Islands or any other jurisdictions relevant to any member of our Group or the Public Offer (the “**Relevant Jurisdictions**”); or
 - (v) the imposition of economic sanctions or changes in existing economic sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
 - (vi) any change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions; or
 - (vii) any change or development involving a prospective change, or a materialisation of, any of the risks in “Risk Factors” in this prospectus; or
 - (viii) any litigation or claim of material importance being threatened or instigated against any member of our Group or any Director; or
 - (ix) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or
 - (x) the chairman or chief executive officer of our Company vacating his office; or

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- (xi) the commencement by any governmental, regulatory or political body or organisation of any investigation or other action against a Director or any member of our Group or an announcement by any governmental, judicial, regulatory or political body or organisation that it intends to take any such action; or
- (xii) any contravention by any member of our Group or any Director or any Controlling Shareholder of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the PRC Company Law, the GEM Listing Rules, the SFO or any applicable laws and regulations; or
- (xiii) a prohibition on our Company for whatever reason from offering, allotting or issuing any of the Offer Shares pursuant to the terms of the Public Offer; or
- (xiv) material non-compliance by any member of our Group or any Director or any Controlling Shareholder of this prospectus (and/or any other documents used in connection with the issue of the Offer Shares) or any aspect of the Public Offer with the GEM Listing Rules or any other applicable laws and regulations; or
- (xv) other than with the written approval from the Sponsor and/or the Joint Lead Managers, the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the issue of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules; or
- (xvi) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xvii) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xviii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of any member of our Group (including any litigation or claim of material importance being threatened or instigated against any member of our Group); or
- (xix) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group; or

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- (xx) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or
- (xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or minimum or maximum prices for trading having been fixed, or minimum or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

which, in each case or in aggregate, in the sole and absolute opinion of the Sponsor and/ or the Joint Lead Managers (for themselves and on behalf of the Underwriters):

- (A) is or may or will be or is likely to be materially adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group taken as a whole or any member of our Group or to any present or prospective shareholder in his, her or its capacity as such; or
- (B) has or may or will or is likely to have a material adverse effect on the success, marketability or pricing of the Public Offer or the level of applications in the Public Offer or the distribution of the Offer Shares or the demand or market price of our Shares following the Listing; or
- (C) makes or may or will make it inadvisable, inexpedient or impracticable to proceed with or to market the Public Offer on the terms and in the manner contemplated by the Underwriting Agreement and this prospectus; or
- (D) has or may or will have or is likely to have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof.

Lock-up Undertakings

Undertakings pursuant to the Underwriting Agreement

Undertakings by our Company

Pursuant to the Underwriting Agreement, our Company has undertaken to and covenanted with each of the Sponsor, the Joint Lead Managers, the Sole Bookrunner and the Underwriters that our Company will not, and each of our Controlling Shareholders and executive Directors has jointly and severally undertaken to and covenanted with the Sponsor, the Joint Lead Managers, the Sole Bookrunner and the Underwriters that it/he will procure our Company not to, without the

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prior written consent of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, except for the issue of Shares under the Public Offer, the Capitalisation Issue, the grant of any option under the Share Option Scheme or the allotment and issue of Shares upon exercise of any option granted under the Share Option Scheme:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and
- (ii) at any time during the period of 18 months commencing on the date on which the First Six-month Period expires (the “**Second Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company so as to result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

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Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with each of our Company, the Sponsor, the Joint Lead Managers, the Sole Bookrunner and the Underwriters that, without the prior written consent of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, it/he shall not, and shall procure that none of its/his close associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him shall:

- (i) at any time during the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner (whether direct or indirect); and
- (ii) at any time during the Second Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event that it/he enters into any transaction specified in sub-paragraph (i) above during the Second Period (whether or not such transaction will be completed in the aforesaid period), it/he shall take all reasonable steps to ensure that any such transaction, agreement or, as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company, the Sponsor, the Joint Lead Managers, the Sole Bookrunner and the Underwriters that:

- (i) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date on which the Second Period expires, it/he must inform our Company, the Sponsor and the Joint Lead Managers immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any interest in the Shares or other securities of our Company under sub-paragraph (i) above, it/he must inform our Company, the Sponsor and the Joint Lead Managers immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

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Undertakings pursuant to the GEM Listing Rules

Undertakings by our Company

Our Company has undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) except for any of the circumstances provided under Rules 17.29(1) to (5) of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to our Company and to the Stock Exchange that, save as provided in Rule 13.18 of the GEM Listing Rules and pursuant to the Public Offer, it/he shall not and shall procure that the relevant registered holder(s), its/his associates, companies controlled by it/him or its/his nominees or trustees holding the Shares in trust for it/him (as the case may be) shall not:

- (i) at any time during the First-six month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner; or
- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a group of Controlling Shareholder (as defined under the GEM Listing Rules).

Each of our Controlling Shareholders has undertaken to and covenanted with our Company and the Stock Exchange that:

- (i) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date on which the Second Six-month Period expires, it/he must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any interest in the Shares or other securities of our Company under sub-paragraph (i) above, it/he must inform our Company immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

UNDERWRITING

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of our Controlling Shareholders and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of GEM Listing Rules.

Our Company, our Controlling Shareholders and the executive Directors have agreed to indemnify the Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company or our Controlling Shareholders or the executive Directors of the Underwriting Agreement.

Commission and expenses

The Underwriters will receive an underwriting commission of 3.75% of the aggregate Offer Price of all Offer Shares, which are to be borne by our Company, out of which the Underwriters will pay any sub-underwriting commission and will be reimbursed for their reasonable expenses. The total expenses relating to the Public Offer and Listing (including the GEM Listing fees, legal and other professional fees, and printing), are estimated to be approximately HK\$30.4 million, assuming the Offer Price of HK\$0.5, being the mid-point of the indicative Offer Price range, which will be payable by our Company.

Underwriters' interest in our Company

Save as disclosed in this prospectus and as contemplated pursuant to the Underwriting Agreement, none of the Underwriters or any of its close associates is interested legally or beneficially in the shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or nominate persons to subscribe for or purchase any Shares.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

THE PUBLIC OFFER

This prospectus is published in connection with the Public Offer. The Listing is sponsored by the Sponsor. The Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued as mentioned in this prospectus.

The 120,000,000 Offer Shares (including 1,200,000 Employee Reserved Shares) will be made available under the Public Offer.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Offer Shares under the Public Offer. Such Eligible Employees will receive no preference as to entitlement or allocation in respect of such further applications for the Offer Shares under the Public Offer.

The Offer Shares will represent 25% of our Company's enlarged share capital immediately after the completion of the Capitalisation Issue and the Public Offer.

References in this prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Public Offer.

Number of Offer Shares offered

We are offering 120,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 100% of the total number of the Offer Shares available under the Public Offer.

Of the 120,000,000 Offer Shares being offered under the Public Offer, 1,200,000 Offer Shares (representing 1% of the total number of Shares being offered under the Public Offer) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

Completion of the Public Offer is subject to the conditions set out in “— Conditions of the Public Offer”.

Allocation

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Offer Shares, and those applicants who are not successful in the ballot may not receive any Offer Shares.

For allocation purposes only, the total number of Offer Shares available for subscription under the Public Offer (after deducting the number of Employee Reserved Shares validly applied for under the Employee Preferential Offering) is to be divided equally into two pools:

- **Pool A:** The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK\$5.0 million or less (excluding the brokerage fee, SFC transaction levy and the Stock Exchange trading fee payable); and

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

- **Pool B:** The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of more than HK\$5.0 million and up to the total value of pool B (excluding the brokerage fee, SFC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “subscription price” for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools, applications for the Offer Shares not in accordance with one of the numbers set out in the table in the **WHITE**, **YELLOW** or **PINK** Application Forms, and any application for more than 59,400,000 Offer Shares made on a **WHITE** or **YELLOW** Form, or for more than 1,200,000 Employee Reserved Shares made on a **PINK** Form, are liable to be rejected.

Applications

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers so as to allow it to identify the relevant applications under the Public Offer.

EMPLOYEE PREFERENTIAL OFFERING

Up to 1,200,000 Employee Reserved Shares, representing 1% of the Offer Shares available under the Public Offer and 0.25% of the enlarged issued share capital of our Company upon completion of the Capitalisation Issue and the Public Offer, are available for subscription by the Eligible Employees on a preferential basis.

The 1,200,000 Employee Reserved Shares available for application by the Eligible Employees on the **PINK** Application Forms will be allocated to such applicants on a basis based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in the Public Offer, where a higher allocation percentage will be applied in respect of smaller applications. The Employee Reserved Shares will be balloted if there are insufficient Employee Reserved Shares available to **PINK** Application Form applicants. If balloting is conducted, an Eligible Employee may be allocated more Employee Reserved Shares than others who have applied for the same number of Employee Reserved Shares. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 1,200,000 Employee Reserved Shares will be rejected. Allocation of the Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Rules Governing the Listing of Securities on the Stock Exchange. In addition to any

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

application for the Employee Reserved Shares on a **PINK** Application Form, Eligible Employees will be entitled to apply for the Offer Shares on a **WHITE** or **YELLOW** Application Form or giving electronic application instruction to HKSCC via CCASS.

As at the Latest Practicable Date, our Group had 68 Eligible Employees.

In case not all the 1,200,000 Employee Reserved Shares are subscribed for by the Eligible Employees, the undersubscribed Employee Reserved Shares will be available as the Offer Shares for subscription by the public under the Public Offer.

PRICING

The Offer Price will be not more than HK\$0.6 per Offer Share and is currently expected to be not less than HK\$0.4 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application for the Offer Shares

Applicants for the Offer Shares will have to pay on application the maximum Offer Price of HK\$0.6 per Offer Share plus brokerage fee of 1.0%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027% amounting to a total of HK\$3,030.23 per board lot of 5,000 Shares.

If the final Offer Price is lower than the maximum Offer Price of HK\$0.6 per Offer Share, arrangements will be made to refund any excess amount to the applicants, without interest.

Determination of the Offer Price

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Wednesday, 5 July 2017 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company may agree. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, the Public Offer will not become unconditional and will lapse.

Reduction in the Offer Price range and/or number of Offer Shares

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of applications in the Public Offer, and with the consent of our Company, reduce the indicative Offer Price range and/or number of Offer Shares below that stated in this prospectus and the Application Forms at any time prior to the morning of the last day for lodging applications under the Public Offer. If the indicative Offer Price range and/or the number of Offer Shares is reduced, our Company will, as soon as practicable following the

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published in accordance with the GEM Listing Rules, notices of the reduction in the indicative Offer Price range and/or the number of Offer Shares or to be announced in such manner as permitted under the GEM Listing Rules and agreed among our Company, the Joint Lead Managers and the Sponsor. Upon issue of such notices, the revised Offer Price range and/or the revised number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and us, will be fixed within such revised Offer Price range. Such notice(s) will also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in this prospectus which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. If the indicative Offer Price range and/or the number of Offer Shares is reduced, applicants who have submitted an application under the Public Offer will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

Before submitting applications for the Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or the number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Announcement of the Offer Price and the basis of allocations

Our Company expects to announce the final Offer Price, the level of applications in the Public Offer and the Employee Preferential Offering and the basis of allocations of the Offer Shares and the Employee Reserved Shares on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.bodibra.com on Wednesday, 12 July 2017.

CONDITIONS OF THE PUBLIC OFFER

The Public Offer will be conditional upon, among others:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM;
- (ii) the Price Determination Agreement having been executed by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company and becoming effective on the Price Determination Date; and

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

- (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise),

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Public Offer will lapse, and all monies received will be refunded to the applicants of the Offer Shares without interest, and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.bodibra.com on the next business day following such lapse. In such event, all application monies will be refunded, without interest. The terms on which the application monies will be refunded are set forth under "Refund of your money" on the Application Forms. In the meantime, all application monies received from the Public Offer will be held in a separate bank account (or separate bank accounts) with the receiving bank in Hong Kong.

We expect to issue Share certificates for the Offer Shares on Wednesday, 12 July 2017. Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Thursday, 13 July 2017 provided that (i) the Public Offer has become unconditional in all respects; and (ii) the right of termination as described in "Underwriting — Underwriting arrangements, commissions and expenses — Grounds for termination" has not been exercised.

The Offer Shares are fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement and subject to our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. For further details about the Underwriters and the Underwriting Agreement, please refer to "Underwriting".

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, the Shares on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 13 July 2017. Shares will be traded in board lots of 5,000 Shares and are fully transferable. The GEM stock code for the Shares is 8297.

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

1. HOW TO APPLY

To apply for Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares using a **PINK** Application Form. Eligible Employees may apply for the Offer Shares under the Public Offer and the Employee Reserved Shares under the Employee Preferential Offering.

Our Company, the Joint Lead Managers and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Only Eligible Employees may apply for the Employee Reserved Shares with a **PINK** Application Form.

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Offer Shares (including any Employee Reserved Shares) if you are:

- an existing beneficial owner of shares in our Company and/or any of our subsidiaries;
- a director or chief executive officer of our Company and/or any of our subsidiaries;
- a connected person and/or a core connected person of our Company or will become a connected person and/or a core connected person of our Company immediately upon completion of the Public Offer; or
- an associate and/or a close associate of any of the above.

3. APPLYING FOR OFFER SHARES

Which application channel to use

For Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

If you are an Eligible Employee, and want the Offer Shares to be issued in your own name and want your application be given preferential treatment, use a **PINK** Application Form.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 26 June 2017 until 12:00 noon on Friday, 30 June 2017 from:

- (i) any of the following addresses of the Underwriters:

Bonus Eventus Securities Limited

Room 1707, 17th Floor, Tower II
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited

Units 3501–3507 & 3513–14
35/F, Cosco Tower
183 Queen's Road Central
Hong Kong

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

Convoy Investment Services Limited

21/F, Tesbury Centre
24–32 Queen’s Road East
Wanchai
Hong Kong

Lego Securities Limited

Room 804, 8/F, Jubilee Centre
46 Gloucester Road
Wanchai
Hong Kong

Ping An Securities Limited

Unit 02, 2/F, China Merchants Building
152–155 Connaught Road Central
Hong Kong

- (ii) any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

District	Branch name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
Kowloon	Tsim Sha Tsui Sub-Branch	Shop Nos. 1–3 on G/F., CFC Tower, 22–28 Mody Road, Tsim Sha Tsui
New Territories	Tsuen Wan Sub-Branch	Shop G9B and G10–11 on G/F., Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 26 June 2017 until 12:00 noon on Friday, 30 June 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by the Eligible Employees from our Company’s head office at 11/F., Linkchart Centre, 2 Tai Yip Street, Kwun Tong, Kowloon, Hong Kong during normal business hours from 9:00 a.m. on Monday, 26 June 2017 until 12:00 noon on Thursday, 29 June 2017. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from our Company’s website at www.bodibra.com and the Stock Exchange’s website at www.hkexnews.hk.

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — My Heart Bodibra Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 26 June 2017	—	9:00 a.m. to 5:00 p.m.
Tuesday, 27 June 2017	—	9:00 a.m. to 5:00 p.m.
Wednesday, 28 June 2017	—	9:00 a.m. to 5:00 p.m.
Thursday, 29 June 2017	—	9:00 a.m. to 5:00 p.m.
Friday, 30 June 2017	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 30 June 2017, the last application day or such later time as described in "— 9. Effect of bad weather on the opening of the application lists".

Your completed **PINK** Application Form, together with a cheque attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — My Heart Bodibra Public Offer" for the payment must be returned to our Company's head office at 11/F., Linkchart Centre, 2 Tai Yip Street, Kwun Tong, Kowloon, Hong Kong by 12:00 noon on Thursday, 29 June 2017.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (v) confirm that you are aware of the restrictions on the Public Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Public Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (viii) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Joint Lead Managers, the Sole Bookrunner, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (ix) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (x) agree that your application will be governed by the laws of Hong Kong;
- (xi) represent, warrant and undertake that (a) you understand that the Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xii) warrant that the information you have provided is true and accurate;
- (xiii) agree to accept the Offer Shares applied for, or any lesser number allocated to you under the application;
- (xiv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (xv) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying (except that the Eligible Employees may also make an additional application for the Employee Reserved Shares by using the applicable **PINK** Application Forms apart from application for the Offer Shares);
- (xvi) understand that our Company and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC by you or by any one as your agent or by any other person (except that the Eligible Employees may also make an additional application for the Employee Reserved Shares by using the applicable **PINK** Application Forms apart from application for the Offer Shares); and
- (xviii) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC (except that the Eligible Employees may also make an additional application for the Employee Reserved Shares by using the applicable **PINK** Application Forms apart from application for the Offer Shares); and (b) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

Additional terms and conditions for the Employee Preferential Offering

You may refer to the **PINK** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Offer Shares applied for or any lesser number allocated;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Public Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday,

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving the **electronic application instructions** to apply for the Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Offer Shares. Instructions for more than 5,000 Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates^(Note):

Monday, 26 June 2017	—	9:00 a.m. to 8:30 p.m.	⁽¹⁾
Tuesday, 27 June 2017	—	8:00 a.m. to 8:30 p.m.	⁽¹⁾
Wednesday, 28 June 2017	—	8:00 a.m. to 8:30 p.m.	⁽¹⁾
Thursday, 29 June 2017	—	8:00 a.m. to 8:30 p.m.	⁽¹⁾
Friday, 30 June 2017	—	8:00 a.m.⁽¹⁾ to 12:00 noon	

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 26 June 2017 until 12:00 noon on Friday, 30 June 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 30 June 2017, the last application day or such later time as described in “— 9. Effect of bad weather on the opening of the application lists”.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/ CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 30 June 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications or suspected multiple applications by any Eligible Employee are liable to be rejected.

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company” means a company with no equity securities listed on the Stock Exchange.

Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE OFFER SHARES

The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE**, **YELLOW** or **PINK** Application Form in respect of a minimum of 5,000 Offer Shares. Each application or **electronic application instructions** in respect of more than 5,000 Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure and Conditions of the Public Offer — Price payable on application for the Offer Shares”.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 30 June 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 30 June 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of applications in the Public Offer and the Employee Preferential Offering and the basis of allocation of the Offer Shares and the Employee Reserved Shares on Wednesday, 12 July 2017 on our Company’s website at www.bodibra.com and the Stock Exchange’s website at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer and the Employee Preferential Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.bodibra.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Wednesday, 12 July 2017;
- from the designated results of allocations website at www.ewhiteform.com.hk/results with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Wednesday, 12 July 2017 to 12:00 midnight on Tuesday, 18 July 2017;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Wednesday, 12 July 2017 to Tuesday, 18 July 2017 (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 12 July 2017 to Friday, 14 July 2017 at all the receiving bank’s branches listed above in “— 3. Applying for Offer Shares”.

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Offer Shares (and, if applicable, the Employee Reserved Shares) if the conditions of the Public Offer are satisfied and the Public Offer is not otherwise terminated. Further details are contained in “Structure and Conditions of the Public Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of the Offer Shares (and the Employee Reserved Shares) is void:

The allotment of the Offer Shares and the Employee Reserved Shares will be void if the Listing Division does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreement does not become unconditional or is terminated;
- our Company or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;
- your application is for more than 59,400,000 Offer Shares, i.e. 50% of the Offer Shares initially offered under the Public Offer; or
- you apply for more than 1,200,000 Employee Reserved Shares.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.6 per Offer Share (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Public Offer — Conditions of the Public Offer" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 12 July 2017.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one Share certificate for all the Employee Reserved Shares allotted to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** or **PINK** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Offer Shares and/or Employee Reserved Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Wednesday, 12 July 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 13 July 2017 provided that the Public Offer has become unconditional and the right of termination described in “Underwriting” has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

Personal collection

(i) If you apply using a WHITE and/or PINK Application Form

If you apply for 1,000,000 or more Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) in person from our Hong Kong Branch Share Registrar at 31/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 July 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 12 July 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 12 July 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 12 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Offer Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

— *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in “— 10. Publication of results” above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System.

(iii) *If you apply via electronic application instructions to HKSCC*

Allocation of Offer Shares

For the purposes of allocating Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 12 July 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in “— 10. Publication of results” above on Wednesday, 12 July 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 July 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR OFFER SHARES AND EMPLOYEE RESERVED SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, 12 July 2017. Immediately following the credit of the Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 12 July 2017.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-38, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MY HEART BODIBRA GROUP LIMITED AND LEGO CORPORATE FINANCE LIMITED****Introduction**

We report on the historical financial information of My Heart Bodibra Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-38, which comprises the consolidated statements of financial position as at 31 March 2015, 2016 and 2017, the statement of financial position of the Company as at 31 March 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 March 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-38 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 26 June 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2015, 2016 and 2017, of the Company's financial position as at 31 March 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends declared by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 June 2017

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollar ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
Revenue	6	50,913	55,621	77,710
Cost of sales		<u>(9,191)</u>	<u>(9,055)</u>	<u>(14,245)</u>
Gross profit		41,722	46,566	63,465
Other income, gain and loss	7	74	51	(301)
Selling expenses		(21,189)	(22,962)	(32,412)
Administrative expenses		(10,229)	(10,529)	(15,689)
Listing expenses		—	(1,874)	(11,367)
Finance costs	8	<u>(426)</u>	<u>(200)</u>	<u>(104)</u>
Profit before taxation		9,952	11,052	3,592
Income tax expense	9	<u>(1,609)</u>	<u>(2,419)</u>	<u>(2,535)</u>
Profit for the year	10	<u>8,343</u>	<u>8,633</u>	<u>1,057</u>
Other comprehensive income (expense):				
<i>Item that may be subsequently reclassified to profit or loss:</i>				
Exchange difference arising on translation of foreign operations		<u>15</u>	<u>—</u>	<u>(52)</u>
Total comprehensive income for the year		<u><u>8,358</u></u>	<u><u>8,633</u></u>	<u><u>1,005</u></u>
Profit for the year attributable to:				
Owners of the Company		7,481	8,436	1,057
Non-controlling interests		<u>862</u>	<u>197</u>	<u>—</u>
		<u><u>8,343</u></u>	<u><u>8,633</u></u>	<u><u>1,057</u></u>
Total comprehensive income for the year attributable to:				
Owners of the Company		7,495	8,436	1,005
Non-controlling interests		<u>863</u>	<u>197</u>	<u>—</u>
		<u><u>8,358</u></u>	<u><u>8,633</u></u>	<u><u>1,005</u></u>
Basic earnings per share (HK cents)	13	<u><u>2.08</u></u>	<u><u>2.34</u></u>	<u><u>0.29</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

THE GROUP

	Notes	As at 31 March		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	14	3,821	3,501	3,590
Rental deposits		<u>3,062</u>	<u>3,417</u>	<u>3,463</u>
		<u>6,883</u>	<u>6,918</u>	<u>7,053</u>
Current assets				
Inventories	15	17,593	22,425	25,738
Trade and other receivables	16	1,823	5,984	7,851
Amount due from ultimate holding company	17	11	11	21
Amounts due from directors	17	26,469	28,257	1,750
Amounts due from related parties	17	8,898	19,708	2,908
Bank balances and cash	18	<u>1,365</u>	<u>3,357</u>	<u>48,268</u>
		<u>56,159</u>	<u>79,742</u>	<u>86,536</u>
Current liabilities				
Trade and other payables	19	3,007	3,454	7,411
Deferred revenue	20	47,027	59,284	77,490
Amount due to a related party	17	1,034	3,600	—
Obligations under finance leases				
— due within one year	21	435	344	275
Bank and other borrowings	22	457	—	1,716
Tax payable		<u>1,310</u>	<u>1,551</u>	<u>3,709</u>
		<u>53,270</u>	<u>68,233</u>	<u>90,601</u>
Net current assets (liabilities)		<u>2,889</u>	<u>11,509</u>	<u>(4,065)</u>
Total assets less current liabilities		<u>9,772</u>	<u>18,427</u>	<u>2,988</u>
Non-current liability				
Obligations under finance leases				
— due after one year	21	<u>710</u>	<u>732</u>	<u>457</u>
Net assets		<u>9,062</u>	<u>17,695</u>	<u>2,531</u>
Capital and reserves				
Share capital/registered capital	23	1,022	1,135	—
Reserves		<u>7,715</u>	<u>16,560</u>	<u>2,531</u>
Equity attributable to owners of the Company		8,737	17,695	2,531
Non-controlling interests		<u>325</u>	<u>—</u>	<u>—</u>
		<u>9,062</u>	<u>17,695</u>	<u>2,531</u>

STATEMENT OF FINANCIAL POSITION

THE COMPANY

	<u>As at</u>	
	<u>31 March</u>	
	<u>2017</u>	
	<i>Notes</i>	<i>HK\$'000</i>
Non-current asset		
Investments in subsidiaries (<i>Note i</i>)		<u>—</u>
Current asset		
Deferred and prepaid listing expenses		<u>5,223</u>
Current liabilities		
Accrued listing expenses		3,415
Amount due to a subsidiary	17	<u>10,209</u>
		<u>13,624</u>
Net current liabilities		<u>(8,401)</u>
Total assets less current liabilities		<u><u>(8,401)</u></u>
Capital and reserve		
Share capital	23	—
Accumulated loss (<i>Note ii</i>)		<u>(8,401)</u>
Total equity deficiency attributable to owners of the Company		<u><u>(8,401)</u></u>

Notes:

- (i) The amount represents investments in unlisted shares at the cost of United States dollar ("US\$")4.
- (ii) The amount represents the profit and total comprehensive income for the period from 27 May 2016 (date of incorporation) to 31 March 2017 of HK\$6,599,000, net of a dividend recognised as distribution of HK\$15,000,000 as set out in note 11.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital/ registered capital	Capital reserve	Translation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	1,022	—	83	137	1,242	(538)	704
Profit for the year	—	—	—	7,481	7,481	862	8,343
Exchange differences arising on translation of foreign operations	—	—	14	—	14	1	15
Total comprehensive income for the year	—	—	14	7,481	7,495	863	8,358
At 31 March 2015	1,022	—	97	7,618	8,737	325	9,062
Profit and total comprehensive income for the year	—	—	—	8,436	8,436	197	8,633
Incorporation of Wish Enterprise and Glory Unique (as defined in note 27)	—	—	—	—	—	—	—
Acquisition of additional interests in My Heart Lingerie, My Heart Factory and Hua Xin Si (as defined in note 27) (Note i)	113	—	11	398	522	(522)	—
At 31 March 2016	1,135	—	108	16,452	17,695	—	17,695
Profit for the year	—	—	—	1,057	1,057	—	1,057
Exchange differences arising on translation of foreign operations	—	—	(52)	—	(52)	—	(52)
Total comprehensive (expense) income for the year	—	—	(52)	1,057	1,005	—	1,005
Dividend recognised as distribution (note 11) Arising from the Reorganisation (as defined in note 2) (Note ii)	—	—	—	(15,000)	(15,000)	—	(15,000)
	(1,135)	(34)	—	—	(1,169)	—	(1,169)
At 31 March 2017	—	(34)	56	2,509	2,531	—	2,531

Notes:

- (i) During the year ended 31 March 2016, the Individual Shareholders (as defined in note 1) acquired the additional interests in My Heart Lingerie, My Heart Factory and Hua Xin Si from the non-controlling shareholder for an aggregate consideration of HK\$648,000 and since then, these companies became wholly owned by the Group.
- (ii) As part of the Reorganisation, My Heart Factory acquired the entire equity interest in Hua Xin Si from the Individual Shareholders for an aggregate consideration of Renminbi (“RMB”) 1,000,000 (equivalent to HK\$1,169,000) which was settled through the current accounts with the Individual Shareholders (note 17).

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Profit before taxation	9,952	11,052	3,592
Adjustments for:			
Depreciation	1,294	1,595	1,571
Finance costs	426	200	104
Interest income	—	(1)	(6)
Net (gain) loss on disposal/written-off of property, plant and equipment	(67)	(71)	246
Operating cash flows before movements in working capital	11,605	12,775	5,507
Increase in rental deposits	(259)	(359)	(52)
Increase in inventories	(3,539)	(4,792)	(3,384)
Decrease (increase) in trade and other receivables	66	(4,202)	(2,321)
(Decrease) increase in trade and other payables	(326)	482	3,847
Increase in deferred revenue	8,293	12,257	18,206
Cash generated from operations	15,840	16,161	21,803
Hong Kong Profits Tax paid	(299)	(2,178)	(357)
PRC Enterprise Income Tax (“EIT”) paid	(5)	—	(8)
NET CASH FROM OPERATING ACTIVITIES	15,536	13,983	21,438
INVESTING ACTIVITIES			
Advance to directors	(12,469)	(8,339)	(5,961)
Advance to related parties	(5,654)	(10,924)	(9,194)
Purchase of property, plant and equipment	(2,190)	(1,108)	(1,737)
Advance to ultimate holding company	(11)	—	(10)
Repayment from related parties	4,760	113	—
Proceeds from disposal of property, plant and equipment	663	841	—
Repayment from directors	100	6,638	39,152
Interest received	—	1	6
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(14,801)	(12,778)	22,256

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
FINANCING ACTIVITIES			
Repayment of other borrowings	(1,387)	(457)	—
Repayment of obligations under finance leases	(885)	(1,128)	(344)
Repayment of bank borrowings	(870)	—	(1,353)
Interest paid	(426)	(200)	(104)
Advance from a related party	1,034	2,566	—
New bank borrowing raised	—	—	3,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(2,534)</u>	<u>781</u>	<u>1,199</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
	(1,799)	1,986	44,893
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
	3,164	1,365	3,357
Effect of foreign exchange rate changes	<u>—</u>	<u>6</u>	<u>18</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash			
	<u>1,365</u>	<u>3,357</u>	<u>48,268</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was established as an exempted company with limited liability on 27 May 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and the principal place of business is disclosed in the section headed "Corporate Information" in the Prospectus. Its immediate and ultimate holding company is Global Succeed Group Limited ("Global Succeed"), a company incorporated in the British Virgin Islands (the "BVI") and joint-controlled by Mr. Yiu Koon Pong ("Mr. Yiu") and Mr. Chan Lin So, Alan ("Mr. Chan"), who have always been the joint controlling shareholders of the companies now comprising the Group throughout the Track Record Period. Mr. Yiu and Mr. Chan are collectively referred to as the "Individual Shareholders". Each of the Individual Shareholders has reiterated their agreement in writing that, in respect of the arrival and/or execution of all decisions, including but not limited to financial, management and operational matters of the Group's subsidiaries, they have always been acting in concert.

The Historical Financial Information is presented in HK\$, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA and the principle of merger accounting (under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA) applicable for group reorganisation (details are set out below).

In the preparation for the proposed listing of the Company's shares on the Stock Exchange, the companies now comprising the Group underwent a corporate reorganisation (the "Reorganisation"), as more fully explained in the section headed "History, Development and Reorganisation" in the Prospectus, which principally involves the following steps:

- (i) Incorporation of Wish Enterprise and Glory Unique on 31 March 2016 for the purposes of holding the equity interests in My Heart Lingerie (which wholly owns Xin Xin (as defined in note 27)) and My Heart Factory, respectively;
- (ii) Incorporation of the Company by the Individual Shareholders to acquire Wish Enterprise and Glory Unique on 18 July 2016; and
- (iii) My Heart Factory acquired the entire equity interest in Hua Xin Si from the Individual Shareholders on 19 July 2016.

Upon completion of the Reorganisation on 19 July 2016, the Company became a holding company of the companies now comprising the Group. The Company and the companies now comprising the Group are under common control of the Individual Shareholders throughout the Track Record Period and before and after the Reorganisation. Therefore, the acquisition of the companies now comprising the Group is accounted for as business combination under common control by applying the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended 31 March 2017 have been prepared to present the financial performance and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout each of the three years ended 31 March 2017 or since the respective dates of establishment/incorporation, which is a shorter period.

The consolidated statements of financial position of the Group as at 31 March 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates, taken into account the respective dates of establishment/incorporation.

3. ADOPTION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information during the Track Record Period, the Group has consistently applied the HKFRSs issued by the HKICPA, which are effective for the accounting period beginning on 1 April 2016 throughout the Track Record Period.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs that are not yet effective. The Group has not early adopted these new and amendments to HKFRSs.

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ²
HKFRS 16	Leases ³
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKAS 40	Transfers of Investment Property ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on the preliminary analysis, the directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on recognition of revenue arising from prepaid but unused credit packages as the timing of revenue recognition may be accelerated under the new standard. However, it is unlikely to have a material impact on the amounts and disclosures of total revenue to be made in the consolidated financial statements in the future as the income arising from prepaid but unused credit package is insignificant in terms of the total revenue.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents other operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group had non-cancellable operating lease commitments of HK\$15,099,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Except for the above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the financial statements of the Group in future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which conform to HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosure required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving business under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowance.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Deferred revenue

Receipts in advance from credit packages and member vouchers, where the relevant goods have not been delivered and titles have not been passed, are deferred and recognised as deferred revenue in the consolidated statements of financial position, and are recognised as revenue when the relevant goods are delivered and titles have passed as described in the above accounting policy for revenue from the sale of goods.

Deferred revenue in relation to the unused credit packages is recognised as revenue generated from the course of the ordinary activities of the Group upon the second anniversary of the contractual expiry date of the relevant credit packages as explained in note 5.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount(s) due from ultimate holding company/directors/related parties, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to a subsidiary/a related party, obligations under finance leases and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulated gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT

The following is the critical judgement that the management of the Group has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the Historical Financial Information.

As described in note 4, receipts in advance from credit packages, where the relevant goods have not been delivered and titles have not been passed, are deferred and recognised as deferred revenue in the consolidated statements of financial position. Subsequently, the amounts will be recognised as revenue when the customers make the purchase using the credits purchased. The credit package is a programme offered to the Group's customers and having a valid period of two years from the date of purchase. Under the programme, the customers enjoy a pre-determined discount rate on the marked price of the Group's products in future purchases using the credits purchased and the pre-determined discount rate varies depending on the initial lump-sum amount paid to subscribe for the credit packages. As represented by the directors of the Company, the Group, subject to internal approval, may extend the valid period and allow the customers to continue to use the credit packages to purchase goods after the expiry dates up to the fourth anniversary of the date of original purchase.

Therefore, the directors of the Company are required to exercise judgement in the application of revenue recognition policies. In such assessment, the directors of the Company consider the general practice and grace period normally adopted by the Group as well as historical customer behaviour and usage pattern of the credit packages and the recognition criteria under HKAS 18 "Revenue". After careful consideration of these factors, the directors of the Company consider that it is appropriate to recognise any unused credit packages as revenue generated from the course of the ordinary activities of the Group upon the second anniversary of the contractual expiry date of the relevant credit packages.

For the years ended 31 March 2015, 2016 and 2017, revenue recognised in the consolidated statements of profit or loss and other comprehensive income from unused credit packages amounted to HK\$4,094,000, HK\$2,157,000, and HK\$3,748,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the aggregation of net amounts received and receivable during the year. An analysis of the Group's revenue from external customers for the year is as follows:

	Year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of lingerie products with shaping functions	42,675	48,162	68,040
Sales of other complementary and ancillary products	4,144	5,302	5,922
Income from unused credit packages (<i>note 5</i>)	4,094	2,157	3,748
	<u>50,913</u>	<u>55,621</u>	<u>77,710</u>

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the Track Record Period, as the Group is principally engaged in the manufacture and sales of lingerie products under the brand of "Bodibra" through its retail stores.

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by nature of revenue (see above) and geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Geographical information

For the years ended 31 March 2015, 2016 and 2017, approximately 95.5%, 98.5% and 99.3% of the Group's revenue were derived from external customers in Hong Kong, respectively. The remaining percentage was attributed to customers in the People's Republic of China (the "PRC").

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	5,986	5,709	5,529
The PRC, other than Hong Kong	897	1,209	1,524
	<u>6,883</u>	<u>6,918</u>	<u>7,053</u>

Information about major customers

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the Track Record Period.

7. OTHER INCOME, GAIN AND LOSS

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Net gain (loss) on disposal/written-off of property, plant and equipment	67	71	(246)
Net exchange loss	—	(22)	(75)
Bank interest income	—	1	6
Others	7	1	14
	<u>74</u>	<u>51</u>	<u>(301)</u>

8. FINANCE COSTS

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Interests on:			
Other borrowings	348	120	—
Obligations under finance leases	63	80	39
Bank borrowings	15	—	65
	<u>426</u>	<u>200</u>	<u>104</u>

9. INCOME TAX EXPENSE

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Current tax:			
Hong Kong Profits Tax	1,405	1,644	2,411
PRC EIT	204	775	246
	<u>1,609</u>	<u>2,419</u>	<u>2,657</u>
Overprovision in prior year:			
Hong Kong Profits Tax	—	—	(122)
	<u>1,609</u>	<u>2,419</u>	<u>2,535</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profits for those subsidiaries established in the PRC.

The income tax expense during the Track Record Period can be reconciled to profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	9,952	11,052	3,592
Tax at Hong Kong Profits Tax rate of 16.5%	1,642	1,824	593
Tax effect of income not taxable for tax purpose	(11)	(12)	(1)
Tax effect of expense not deductible for tax purpose	26	363	1,918
Overprovision of Hong Kong Profits Tax in prior year	—	—	(122)
Tax effect of tax losses not recognised	—	93	264
Tax effect of temporary differences not recognised	(49)	32	(7)
Utilisation of tax losses previously not recognised	(48)	(125)	(185)
Effect of different tax rate of subsidiaries operating in the PRC	69	264	95
Tax benefits	(20)	(20)	(20)
Income tax expense for the year	1,609	2,419	2,535

As at 31 March 2015, 2016 and 2017, the Group had unused tax losses of HK\$6,483,000, HK\$6,289,000 and HK\$6,766,000, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of the entire amount of tax losses due to the unpredictability of future profit streams. As at 31 March 2015, 2016 and 2017, included in unrecognised tax losses are losses of HK\$360,000, HK\$923,000 and HK\$2,522,000 that will expire in various dates in the next five years, respectively. Other tax losses may be carried forward indefinitely.

There is no other significant unprovided deferred taxation during the Track Record Period or at the end of the reporting period.

10. PROFIT FOR THE YEAR

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging:			
Directors' remuneration (<i>note 12</i>)	720	792	836
Other staff costs:			
Salaries and other allowances	11,604	12,039	21,073
Retirement benefit scheme contributions	526	626	836
Total staff costs	12,850	13,457	22,745
Auditor's remuneration	341	337	469
Cost of inventories recognised as an expense	9,191	9,055	14,245
Depreciation of property, plant and equipment	1,294	1,595	1,571
Operating lease rentals in respect of:			
— office premise	876	946	1,319
— factories and warehouses	854	1,129	1,190
— retail stores			
— minimum lease payments	9,332	10,004	10,029
— contingent rents	1,179	1,887	3,549

11. DIVIDENDS

An interim dividend of HK\$15,000,000 (HK\$1,500 per share) was declared by the Company for the year ended 31 March 2017 to the then shareholder, i.e. Global Succeed. Such dividend payable was offset with the amounts due from directors, i.e. the Individual Shareholders who own Global Succeed, by the same amount.

Other than the above, no dividend has been declared by the Company since its incorporation or by other companies now comprising the Group during the Track Record Period.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS/EMPLOYEES' EMOLUMENTS**Directors' and Chief Executive's Emoluments**

Details of the emoluments paid or payable by the Group to the directors and the chief executive of the Company, during the Track Record Period for their services rendered to the companies comprising the Group are as follows:

(a) Executive directors

	<u>Directors' fees</u>	<u>Salaries and other allowances</u>	<u>Retirement benefit scheme contributions</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2015				
Executive directors:				
Mr. Yiu (<i>Note i</i>)	—	360	—	360
Mr. Chan (<i>Note ii</i>)	—	360	—	360
Total	<u>—</u>	<u>720</u>	<u>—</u>	<u>720</u>
Year ended 31 March 2016				
Executive directors:				
Mr. Yiu (<i>Note i</i>)	—	360	36	396
Mr. Chan (<i>Note ii</i>)	—	360	36	396
Total	<u>—</u>	<u>720</u>	<u>72</u>	<u>792</u>
Year ended 31 March 2017				
Executive directors:				
Mr. Yiu (<i>Note i</i>)	—	400	18	418
Mr. Chan (<i>Note ii</i>)	—	400	18	418
Total	<u>—</u>	<u>800</u>	<u>36</u>	<u>836</u>

Notes:

- (i) Mr. Yiu was appointed as the chief executive officer and an executive director of the Company on 27 May 2016.
- (ii) Mr. Chan was appointed as the chairman and an executive director of the Company on 27 May 2016.

- (iii) None of the directors waived any emolument during the Track Record Period.
- (iv) During the Track Record Period, no emoluments were paid by the Group to any of the directors or the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.
- (v) The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Group.

(b) *Independent non-executive directors*

Mr. Li Fu Yeung, Mr. Wong Tin King Richard and Ms. Chow Ting Hei Haily Josephine were newly appointed as independent non-executive directors of the Company on 13 January 2017 and they will be entitled to emoluments for their services since completion of the Listing.

Employees' Emoluments

The five highest paid individuals of the Group include two, two and Nil executive directors of the Company (details of whose emoluments are set out in note 12(a) above) for the years ended 31 March 2015, 2016 and 2017, respectively. Details of the emoluments of the remaining individuals are as follows:

	Year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	2,356	1,433	2,897
Discretionary bonuses	142	200	390
Retirement benefit scheme contributions	52	52	60
	<u>2,550</u>	<u>1,685</u>	<u>3,347</u>

Their emoluments were within the following bands:

	Year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Nil to HK\$1,000,000	2	3	5
HK\$1,500,001 to HK\$2,000,000	1	—	—
	<u>3</u>	<u>3</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the profit attributable to owners of the Company and on 360,000,000 shares in issue during the Track Record Period on the assumption that the capitalisation issue as detailed in the section headed "Share Capital" in the Prospectus have been effective on 1 April 2014.

No diluted earnings per share are presented for the Track Record Period as there were no potential ordinary shares in issue.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Equipment	Furniture and fixtures	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST					
At 1 April 2014	1,696	761	49	1,041	3,547
Additions	1,463	330	218	1,525	3,536
Disposals	—	—	—	(921)	(921)
Exchange realignment	(1)	(1)	—	(1)	(3)
At 31 March 2015	3,158	1,090	267	1,644	6,159
Additions	337	271	210	1,347	2,165
Disposals	—	(2)	—	(1,120)	(1,122)
Exchange realignment	(16)	(27)	(10)	(7)	(60)
At 31 March 2016	3,479	1,332	467	1,864	7,142
Additions	1,411	528	19	—	1,958
Written-off	(779)	—	(23)	—	(802)
Exchange realignment	(25)	(49)	(22)	(10)	(106)
At 31 March 2017	4,086	1,811	441	1,854	8,192
DEPRECIATION					
At 1 April 2014	598	561	21	190	1,370
Provided for the year	866	91	34	303	1,294
Eliminated on disposals	—	—	—	(325)	(325)
Exchange realignment	—	(1)	—	—	(1)
At 31 March 2015	1,464	651	55	168	2,338
Provided for the year	949	141	64	441	1,595
Eliminated on disposals	—	(1)	—	(264)	(265)
Exchange realignment	(3)	(21)	(2)	(1)	(27)
At 31 March 2016	2,410	770	117	344	3,641
Provided for the year	888	222	89	372	1,571
Eliminated on written-off	(552)	—	(4)	—	(556)
Exchange realignment	(14)	(31)	(5)	(4)	(54)
At 31 March 2017	2,732	961	197	712	4,602
CARRYING VALUES					
At 31 March 2015	<u>1,694</u>	<u>439</u>	<u>212</u>	<u>1,476</u>	<u>3,821</u>
At 31 March 2016	<u>1,069</u>	<u>562</u>	<u>350</u>	<u>1,520</u>	<u>3,501</u>
At 31 March 2017	<u>1,354</u>	<u>850</u>	<u>244</u>	<u>1,142</u>	<u>3,590</u>

The above items of property, plant and equipment are depreciated over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold improvements	3 years or over the lease term, whichever is shorter
Equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

As at 31 March 2015, 2016 and 2017, the carrying values of motor vehicles held under finance leases were HK\$1,223,000, HK\$1,246,000 and HK\$940,000, respectively.

15. INVENTORIES

	<u>As at 31 March</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	2,660	2,819	3,569
Work-in-progress	489	839	867
Finished goods	<u>14,444</u>	<u>18,767</u>	<u>21,302</u>
	<u>17,593</u>	<u>22,425</u>	<u>25,738</u>

16. TRADE AND OTHER RECEIVABLES

	<u>As at 31 March</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	715	1,822	634
Deferred and prepaid listing expenses	—	2,512	5,223
Other receivables, prepayments and deposits	<u>1,108</u>	<u>1,650</u>	<u>1,994</u>
	<u>1,823</u>	<u>5,984</u>	<u>7,851</u>

The Group allows a credit period of 0 to 30 days to its customers for its trade receivables.

The customers of the Group would usually settle payments by cash, Easy Pay System (“EPS”) or credit cards. For EPS and credit card payments, the banks will normally settle the amounts received, net of handling charges, a few days after the trade date. The trade receivables balance mainly represents payments that are not yet settled by banks.

The following is an aged analysis of trade receivables presented based on invoice dates, which approximate the revenue recognition dates, at the end of each reporting period:

	<u>As at 31 March</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	715	1,665	600
31–60 days	<u>—</u>	<u>157</u>	<u>34</u>
	<u>715</u>	<u>1,822</u>	<u>634</u>

Included in the Group’s trade receivables as at 31 March 2015, 2016 and 2017 are debtors with aggregate carrying amounts of Nil, HK\$157,000 and HK\$34,000, respectively, which were aged from 31 to 60 days and past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experiences. The Group does not hold any collateral over these balances.

All of the trade receivables at the end of the reporting period are subsequently settled in full.

17. AMOUNT(S) DUE FROM/TO ULTIMATE HOLDING COMPANY/DIRECTORS/RELATED PARTIES/A SUBSIDIARY

	As at 31 March			Maximum amount outstanding during the year ended 31 March		
	2015	2016	2017	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
Amount due from ultimate holding company						
Global Succeed	11	11	21	11	11	21
Amounts due from directors						
Mr. Yiu	12,720	17,498	875	12,720	17,498	22,029
Mr. Chan	13,749	10,759	875	13,749	10,759	11,575
	26,469	28,257	1,750			
Amounts due from related parties						
White Equity Limited (<i>Note i</i>)	3	5	5	3	5	5
My Heart Group Limited (<i>Note ii</i>)	88	93	95	88	93	95
My Heart Lingerie Institute Limited (<i>Note ii</i>)	72	75	105	72	75	105
T's Dining Group Limited (<i>Note ii</i>)	13	29	2,687	13	29	2,687
Winterchase Investment Limited ("Winterchase") (<i>Note ii</i>)	8,722	17,849	—	8,722	17,849	17,849
Kingslanding Group Limited (<i>Note ii</i>)	—	1,641	—	—	1,641	1,641
ibuyfair.com Limited (<i>Note ii</i>)	—	16	16	—	16	16
	8,898	19,708	2,908			
Amount due to a related party						
深圳市芭迪貝伊女仕服飾店 ("SZ BodiBra") (<i>Note iii</i>)	1,034	3,600	—			
THE COMPANY						
Amount due to a subsidiary						
My Heart Lingerie	—	—	10,209			

The balances are non-trade in nature, unsecured, non-interest bearing and repayable on demand. As represented by the directors of the Company, the balances as at 31 March 2017, except for the Company's amount due to a subsidiary, will be settled or repaid prior to the Listing.

Notes:

- (i) This company is wholly owned by Mr. Yiu, a director of the Company.
- (ii) These companies are under common control by the Individual Shareholders.
- (iii) This company was wholly owned by Mr. Chan, a director of the Company, before its deregistration in December 2016.

18. BANK BALANCES AND CASH

Bank balances and cash comprise cash on hand and bank balances. Bank balances carry interest at prevailing market interest rates which range from 0.01% to 0.35% per annum during the Track Record Period.

19. TRADE AND OTHER PAYABLES

	<u>As at 31 March</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables, aged within 60 days	246	181	94
Accrued listing expenses	—	—	3,415
Accruals and other payables	<u>2,761</u>	<u>3,273</u>	<u>3,902</u>
	<u>3,007</u>	<u>3,454</u>	<u>7,411</u>

The credit periods on trade payables offered by suppliers are within 60 days.

All of the trade payables aged within the credit period based on the invoice dates at the end of each reporting period.

20. DEFERRED REVENUE

	<u>Credit package</u>	<u>Member voucher</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2014	38,734	—	38,734
Receipts from sales of credit packages	52,444	—	52,444
Revenue recognised upon sales of goods	(40,057)	—	(40,057)
Revenue recognised for unused credit packages	<u>(4,094)</u>	<u>—</u>	<u>(4,094)</u>
At 31 March 2015	47,027	—	47,027
Receipts from sales of credit packages	61,764	—	61,764
Revenue recognised upon sales of goods	(47,350)	—	(47,350)
Revenue recognised for unused credit packages	<u>(2,157)</u>	<u>—</u>	<u>(2,157)</u>
At 31 March 2016	59,284	—	59,284
Receipts from sales of credit packages and member vouchers	85,299	282	85,581
Revenue recognised upon sales of goods	(63,423)	(204)	(63,627)
Revenue recognised for unused credit packages	<u>(3,748)</u>	<u>—</u>	<u>(3,748)</u>
At 31 March 2017	<u>77,412</u>	<u>78</u>	<u>77,490</u>

The following is an aged analysis of deferred revenue, presented based on the invoice date in relation to the purchase of credit packages and member vouchers, at the end of the reporting period.

	<u>As at 31 March</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	27,038	37,485	50,249
In the second year	11,900	14,539	20,182
In the third year	4,874	3,516	4,065
In the fourth year	<u>3,215</u>	<u>3,744</u>	<u>2,994</u>
	<u>47,027</u>	<u>59,284</u>	<u>77,490</u>

The pre-determined discount rates adhered to the above deferred revenue approximate 26%, 30% and 30% on average for the years ended 31 March 2015, 2016 and 2017, respectively.

In addition, during the Track Record Period, the Group also runs a membership points award programme. Sales of credit packages and goods that resulted in granted membership points constitute multiple element revenue transactions and the fair value of the consideration received or receivable should be allocated between the goods supplied and the membership points granted. The consideration allocated to the membership points is to be measured by reference to the fair value of the awards for which they could be redeemed and such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the membership points expired or are redeemed and the Group's obligations have been fulfilled.

The management of the Group has, for simplicity, decided not to defer the recognition of revenue in relation to membership points since the fair values of the membership points outstanding as at 31 March 2015, 2016 and 2017, amounted to HK\$287,000, HK\$318,000 and Nil respectively, are considered by them as insignificant.

21. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. The lease term is ranged from three to five years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.44% to 4.76% per annum during the Track Record Period.

	<u>Minimum lease payments</u>			<u>Present value of minimum lease payments</u>		
	<u>As at 31 March</u>			<u>As at 31 March</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable under finance leases:						
Within one year	479	382	300	435	344	275
In more than one year and not more than two years	479	300	259	462	276	245
In more than two years but no more than five years	249	475	216	248	456	212
	1,207	1,157	775	1,145	1,076	732
Less: future finance charges	(62)	(81)	(43)	—	—	—
Present value of lease obligations	<u>1,145</u>	<u>1,076</u>	<u>732</u>	1,145	1,076	732
Less: Amount due for settlement within twelve months (shown under current liabilities)				(435)	(344)	(275)
Amount due for settlement after twelve months				<u>710</u>	<u>732</u>	<u>457</u>

The Group's obligations under finance leases are secured by the lessors' title to the leased assets. As at 31 March 2015, a finance lease obligation of HK\$871,000 was secured by a personal guarantee given by Mr. Chan, a director of the Company. Such personal guarantee was released upon full settlement of relevant lease obligation in January 2016.

22. BANK AND OTHER BORROWINGS

	As at 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Unsecured bank borrowings:			
Guaranteed bank borrowing that contains a repayable on demand clause			
— current liabilities	—	—	1,647
Unguaranteed bank borrowing from credit card facility	—	—	69
	<u>—</u>	<u>—</u>	<u>1,716</u>
Other borrowing	<u>457</u>	<u>—</u>	<u>—</u>
In accordance with scheduled repayment terms carrying amount repayable:			
Within one year	457	—	1,587
In more than one year but not more than two years	—	—	129
	<u>457</u>	<u>—</u>	<u>1,716</u>

As at 31 March 2015, the balance represented a secured HK\$ loan from an entity controlled by a relative of Mr. Yiu, a director of the Company. The amount carried interest at a fixed rate of 8% per annum and repayable within one year based on schedule payment terms. The amount was secured by personal guarantees provided by the two executive directors of the Company and was secured by 90% equity interest of My Heart Lingerie. The amount was repaid in full on 5 July 2015 and the guarantees and pledge of shares were released.

As at 31 March 2017, the balance represented a non-revolving corporate tax loan from a bank with personal guarantees given by Mr. Yiu and Mr. Chan, being directors of the Company. The borrowing carries a variable interest rate with reference to the HK\$ Best Lending Rate minus certain basis points and is repayable on demand. The effective interest rate of such borrowing is 3% per annum. The directors of the Company have represented that such personal guarantees will be released and replaced by corporate guarantee given by the Company upon completion of the Listing. Details of such personal guarantees are set out in note 29.

23. SHARE CAPITAL/REGISTERED CAPITAL

For the purpose of this report, the capital of the Group as at 1 April 2014, 31 March 2015 and 2016 represents the combined capital of Wish Enterprise, Glory Unique, My Heart Lingerie, My Heart Factory, Hua Xin Si and Xin Xin attributable to the Individual Shareholders, taking into account the respective dates of incorporation/establishment, prior to the Reorganisation.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 27 May 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with nominal value of HK\$0.01 each. Upon its incorporation, 1 share of HK\$0.01 was allotted and issued to a nominee subscriber, which was then transferred to Global Succeed on the same date.

On 18 July 2016, the Company acquired the entire equity interest in Wish Enterprise and Glory Unique from Winterchase as part of the Reorganisation and the Company allotted and issued 4,999 and 5,000 new ordinary shares of HK\$0.1 each, respectively, credited as fully paid, to Global Succeed as the consideration.

On 16 January 2017, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$40,000,000 divided into 4,000,000,000 ordinary shares by the creation of 3,962,000,000 additional ordinary shares with nominal value of HK\$0.01 each.

As at 31 March 2017, the issued share capital represented the share capital of the Company of 10,000 ordinary shares of HK\$0.01 each.

24. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes amount due to a related party, obligations under finance leases and bank and other borrowings disclosed in notes 17, 21 and 22, net of cash and cash equivalents, and equity attributable to owners of the Group, comprising issued share capital and retained profits.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, issue of new shares as well as the issue of new debts or the redemption of existing debts.

25. FINANCIAL INSTRUMENTS**25a. Categories of financial instruments**

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>37,465</u>	<u>53,178</u>	<u>53,581</u>
Financial liabilities			
Amortised cost	2,108	3,795	1,811
Obligations under finance leases	<u>1,145</u>	<u>1,076</u>	<u>732</u>
	<u>3,253</u>	<u>4,871</u>	<u>2,543</u>

25b. Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, amount(s) due from ultimate holding company/directors/related parties, bank balances and cash, trade and other payables, amount due to a related party, obligations under finance leases and bank and other borrowings.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk***Interest rate risk***

The Group is exposed to fair value interest rate risk in relation to its obligations under finance leases and other borrowings as set out in notes 21 and 22, respectively. The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances and bank borrowing as set out in notes 18 and 22, respectively. The management monitors interest rate exposure on ongoing basis and will consider hedging any significant interest rate risks.

No sensitivity analysis is presented since the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances and bank borrowing is limited due to their short maturities or the insignificant amounts involved.

Credit risk

As at 31 March 2015, 2016 and 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

As at 31 March 2015, 2016 and 2017, the Group is exposed to the concentration of credit risk on amounts due from directors/related parties as set out in note 17. The Group assesses the recoverability by reviewing and monitoring their financial position and results periodically and the management considers the default risk to be insignificant.

Regarding the credit risk on trade receivables, the directors of the Company consider there is no significant credit risk as they are balances due from banks and shopping malls with good reputation.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation. The Group is exposed to concentration of credit risk on liquid funds which are deposited with a few banks.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

In preparing the Historical Financial Information, the directors of the Company have given careful considerations to the future liquidity of the Group, and particularly in respect of the year ended 31 March 2017, its current liabilities exceeded its current assets by HK\$4,065,000 as at 31 March 2017. Taking into account of the internally generated funds, the bank balances and cash on hand and the available banking facility, the directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk table

	Weighted average interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.3.2015
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 March 2015							
Non-derivative financial liabilities							
Trade and other payables	—	617	—	—	—	617	617
Amount due to a related party	—	1,034	—	—	—	1,034	1,034
Obligations under finance leases	4.4	40	80	359	728	1,207	1,145
Other borrowings	8.0	144	289	144	—	577	457
		<u>1,835</u>	<u>369</u>	<u>503</u>	<u>728</u>	<u>3,435</u>	<u>3,253</u>
	Weighted average interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.3.2016
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 March 2016							
Non-derivative financial liabilities							
Trade and other payables	—	195	—	—	—	195	195
Amount due to a related party	—	3,600	—	—	—	3,600	3,600
Obligations under finance leases	3.6	32	64	287	775	1,158	1,076
		<u>3,827</u>	<u>64</u>	<u>287</u>	<u>775</u>	<u>4,953</u>	<u>4,871</u>
	Weighted average interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.3.2017
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 March 2017							
Non-derivative financial liabilities							
Trade and other payables	—	95	—	—	—	95	95
Bank borrowing (<i>Note</i>)	3.00	1,716	—	—	—	1,716	1,716
Obligations under finance leases	3.61	32	64	204	475	775	732
		<u>1,843</u>	<u>64</u>	<u>204</u>	<u>475</u>	<u>2,586</u>	<u>2,543</u>

Note: Bank borrowing with a repayment on demand clause is included in the 'On demand or less than 1 month' time band in the above maturity analysis. As at 31 March 2017, the carrying amount of this bank borrowing amounted to HK\$1,647,000. The bank borrowing will be settled in full in accordance with the scheduled repayment dates set out in the loan agreement. As at 31 March 2017, the aggregate principal and interest cash outflows (estimated based on the interest rate at the end of the reporting period based on the scheduled repayment dates) are set out below.

	Weighted average interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.3.2017
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 March 2017							
Non-derivative financial liabilities							
Bank borrowing	3.00	<u>129</u>	<u>258</u>	<u>1,160</u>	<u>129</u>	<u>1,676</u>	<u>1,647</u>

25c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

26. OPERATING LEASE COMMITMENTS

The Group as lessee had made minimum lease payments of HK\$11,062,000, HK\$12,079,000 and HK\$12,538,000 and contingent rents of HK\$1,179,000, HK\$1,887,000 and HK\$3,549,000 under operating leases during the years ended 31 March 2015, 2016 and 2017, respectively, in respect of its office premise, factories and warehouses and retail stores.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within one year	8,766	9,993	9,248
In the second to fifth year inclusive	<u>4,264</u>	<u>2,914</u>	<u>5,851</u>
	<u>13,030</u>	<u>12,907</u>	<u>15,099</u>

As at 31 March 2015, an employee and a related party of the Group controlled by the Individual Shareholders, have entered into three and two operating leases, respectively, on behalf of the Group. The commitments for future minimum lease payments under these non-cancellable operating leases which fall due as follows:

	As at 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,130	—	—
In the second to fifth year inclusive	<u>291</u>	<u>—</u>	<u>—</u>
	<u>1,421</u>	<u>—</u>	<u>—</u>

All of the abovementioned commitments for future minimum lease payments under these non-cancellable operating leases have become the commitments of the Group by the end of March 2016.

Leases are negotiated for term of two to four years and rentals are fixed throughout the lease period.

27. PARTICULARS OF THE COMPANY'S SUBSIDIARIES

At the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital	Equity interest attributable to the Group as at				Principal activities	Notes
				31 March		Date of this report			
				2015	2016		2017		
Wish Enterprise Limited* ("Wish Enterprise")	The BVI 31 March 2016	The BVI	US\$2	N/A	N/A	100%	100%	Investment holding	(a)
Glory Unique Limited* ("Glory Unique")	The BVI 31 March 2016	The BVI	US\$2	N/A	N/A	100%	100%	Investment holding	(a)
My Heart Lingerie Limited ("My Heart Lingerie")	Hong Kong 20 August 2003	Hong Kong	HK\$100	90%	100%	100%	100%	Retail sales of lingerie products	(b)
My Heart Factory Limited ("My Heart Factory")	Hong Kong 26 August 2005	Hong Kong	HK\$5	80%	100%	100%	100%	Design and manufacture of lingerie products and provision of lingerie alteration service	(b)
華心思製衣(深圳)有限公司 Huaxinsi Zhiyi (Shenzhen) Co., Ltd.# ("Hua Xin Si")	The PRC 20 November 2009	The PRC	RMB1,000,000	90%	100%	100%	100%	Design and manufacture of lingerie products and export of lingerie products	(c)
心心芭迪貝伊內衣(深圳)有限公司 Xin Xin Badibeiyi Lingerie (Shenzhen) Co., Ltd.# ("Xin Xin")	The PRC 7 April 2015	The PRC	RMB500,000	N/A	100%	100%	100%	Retail sales of lingerie products	(d)

* These companies are directly held by the Company.

The English translation of company names in Chinese is for identification purpose only.

All companies comprising the Group have adopted 31 March as their financial year end date, except for those subsidiaries established in the PRC, the financial year end date of which is 31 December.

Notes:

- (a) No audited financial statements have been prepared for Wish Enterprise and Glory Unique as they are incorporated in the BVI where there is no statutory audit requirement.
- (b) The statutory financial statements of My Heart Lingerie and My Heart Factory for each of the three years ended 31 March 2017 were prepared in accordance with the HKFRSs issued by the HKICPA and were audited by us.
- (c) The statutory financial statements of Hua Xin Si for each of the years ended 31 December 2014 and 2015 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and audited by certified public accountants registered in the PRC, namely Shenzhen Hua Qi Certified Public Accountants General Partner and Wongga Partners Certified Public Accountants (SZ) General Partner, respectively. The statutory financial statements of Hua Xin Si for the year ended 31 December 2016 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and audited by Wongga Partners Certified Public Accountants (SZ) General Partner.
- (d) The statutory financial statements of Xin Xin for the period from the date of establishment on 7 April 2015 to 31 December 2015 and for the year ended 31 December 2016 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and audited by certified public accountants registered in the PRC, namely Shenzhen Huatu Certified Public Accountants.

28. RETIREMENT BENEFITS PLANS

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the above scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,250 per month (increased to HK\$1,500 per month effective from 1 June 2014) or 5% of the relevant payroll costs to the MPF Scheme.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

During the Track Record Period and up to the end of April 2016, the Group failed to promptly make full contributions to the social insurance plans and the housing provident fund for their employees employed by the PRC subsidiaries. Pursuant to the 《中華人民共和國社會保險法》, the PRC subsidiaries may be ordered to make up for the shortfall in contribution within a specified time period and be subject to a daily fine amounting to 0.05% of the outstanding contributions from the date on which payment is overdue. If the outstanding contribution is not made within the specified time period, the Group may be imposed a fine ranging from one to three times of the amount of shortfall in contribution. Besides, the Group may also be subject to a fixed fine ranging from RMB10,000 to RMB50,000 in addition to the outstanding housing provident fund contributions underpaid if the employer failed to rectify such non-compliance within a specified period of time.

At 31 March 2015, 2016 and 2017, the Group had made aggregate provisions of HK\$796,000, HK\$747,000 and HK\$350,000 in respect of the estimated shortfall in social insurance plans and housing provident fund contributions.

The directors of the Company have, taking into account the facts that (i) full provision of shortfalls had been made; and (ii) advice had been sought from the Group's PRC legal adviser that the chance of the Group being penalised by Shenzhen Social Insurance Bureau is remote, considered that it is not probable that the Group will be fined or penalised and therefore no provision for fines or penalties has been made, and that the provision of shortfall made as at each reporting date and during the Track Record Period is adequate.

The total cost charged to profit or loss of HK\$526,000, HK\$698,000 and HK\$872,000 represents contributions paid or payable to the above schemes by the Group for the years ended 31 March 2015, 2016 and 2017, respectively. At the end of each reporting period, there were no forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contribution becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

29. RELATED PARTY DISCLOSURES**(i) Transactions**

During the Track Record Period, the Group entered into the following transactions with related parties:

<u>Related parties</u>	<u>Nature of transactions</u>	<u>Year ended 31 March</u>		
		<u>2015</u>	<u>2016</u>	<u>2017</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>A director of the Company</i>				
Mr. Chan	Rental expenses	165	—	—
	Sales of lingerie products	—	53	—
<i>Related parties</i>				
SZ BodiBra	Sales of lingerie products	2,294	497	—
<i>An entity controlled by a relative of Mr. Yiu</i>				
	Interest expenses	348	120	—

(ii) Balances

Details of the balances with related parties are set out in the consolidated statements of financial position and in notes 17 and 22.

(iii) Guarantees in support of the banking facilities/obligation under a finance lease/operating leases

During the year ended 31 March 2015, Mr. Chan and Mr. Yiu, being directors of the Company and My Heart Lingerie, and another director of My Heart Lingerie, had given personal guarantees to a bank to secure two banking facilities to the extent of HK\$6,000,000 granted to My Heart Lingerie. These facilities were not utilised by the Group during the Track Record Period and before their termination during the year ended 31 March 2015.

During the Track Record Period, Mr. Yiu, a director of the Company, has given personal guarantees to the landlords to secure two operating leases of retail stores entered into by My Heart Lingerie. The personal guarantees of the operating leases were released in March 2017 and June 2017.

During the Track Record Period, Mr. Chan, a director of the Company, had given a personal guarantee to the lessor to secure a finance lease of a motor vehicle entered into by My Heart Lingerie in August 2014. Such personal guarantee was released upon full settlement of relevant lease obligation in January 2016.

During the year ended 31 March 2017, the Group obtained a new banking facility for a non-revolving corporate tax loan of HK\$3,000,000 with personal guarantees given by Mr. Yiu and Mr. Chan, being directors of the Company. The entire amount of the facility has been drawn down in one lump sum on 15 April 2016. The bank borrowing will be repaid within two years since 15 April 2016 in accordance with the scheduled repayment dates as set out in the terms of facility. The directors of the Company have represented to us that such personal guarantees will be released and replaced by corporate guarantee given by the Company upon completion of the Listing.

(iv) Compensation of key management personnel

	Year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, bonuses and other allowances	720	720	800
Retirement benefit scheme contributions	—	72	36
	<u>720</u>	<u>792</u>	<u>836</u>

The remuneration of key management personnel is determined with regard to the performance of the individuals and market trends.

30. MAJOR NON-CASH TRANSACTIONS

Other than elsewhere disclosed in the Historical Financial Information, the Group has entered into the following non-cash transactions:

- (i) Finance lease arrangements in respect of motor vehicles with a total capital value of HK\$1,344,000 and HK\$1,059,000 at the inception of the leases were entered during the years ended 31 March 2015 and 2016, respectively.
- (ii) In July 2016, an interim dividend of HK\$15,000,000 was declared by the Company for the year ended 31 March 2017 to the then shareholder, i.e. Global Succeed. Such dividend payable was offset with the amounts due from directors, i.e. the Individual Shareholders who own Global Succeed, by the same amount.
- (iii) Amounts due from/to related parties with a net amount of HK\$22,394,000 were settled through the current accounts with directors of the Company during the year ended 31 March 2017.

31. SUBSEQUENT EVENTS

Save as elsewhere disclosed in this report, subsequent to 31 March 2017, the following significant events took place:

On 19 June 2017, written resolutions of the sole shareholder of the Company were passed to approve the followings:

- (a) the share option scheme of the Company was conditionally adopted on 19 June 2017 and the principal terms of which are summarised in Appendix IV to the Prospectus;
- (b) conditional on the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the offer shares by the Company, the directors of the Company were authorised to capitalise approximately HK\$3,599,900 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 359,990,000 shares for allotment and issue to the sole shareholder of the Company.

Save as aforesaid, there were no significant events took place subsequent to 31 March 2017.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 March 2017.

The information set forth in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the three years ended 31 March 2017 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included in this prospectus for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Public Offer on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2017 as if the Public Offer had taken place on that date.

The statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Public Offer been completed as at 31 March 2017 or at any future dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2017 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2017	Estimated net proceeds from the Public Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2017	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2017 per Share
	<i>HK\$'000</i> (Note 1)	<i>HK\$'000</i> (Note 2)	<i>HK\$'000</i>	<i>HK\$</i> (Note 3)
Based on the Offer Price of HK\$0.40 per Offer Share	<u>2,531</u>	<u>31,274</u>	<u>33,805</u>	<u>0.070</u>
Based on the Offer Price of HK\$0.60 per Offer Share	<u>2,531</u>	<u>54,374</u>	<u>56,905</u>	<u>0.119</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2017 is based on the consolidated net assets of the Group attributable to owners of the Company of HK\$2,531,000 as at 31 March 2017 as extracted from the Accountants' Report set forth in Appendix I to this prospectus.

- (2) The adjustment to the statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group reflects the estimated net proceeds from the Public Offer to be received by the Company. The estimated net proceeds from the Public Offer is based on 120,000,000 Offer Shares at the Offer Price of HK\$0.40 and HK\$0.60 per Offer Share, being the low-end and high-end of the stated Offer Price range, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 31 March 2017 and does not take into account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2017 per Share is based on 480,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Public Offer assumed to be on 31 March 2017. It does not take into account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2017 to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2017.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this document.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of My Heart Bodibra Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of My Heart Bodibra Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 March 2017 and related notes as set out on pages II-1 and II-2 of Appendix II to the Prospectus issued by the Company dated 26 June 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 and II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of public offer (the "Public Offer") on the Group's financial position as at 31 March 2017 as if the proposed Public Offer had taken place at 31 March 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 March 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 26 June 2017

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 May 2016 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 16 January 2017. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than

one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for

registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share allotted and issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the

time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual

general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest

any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 27 May 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 28 June 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law on 27 May 2016. Our Company has established a principal place of business in Hong Kong at 11/F, Linkchart Centre, 2 Tai Yip Street, Kwun Tong, Kowloon, Hong Kong and was registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 12 July 2016. In connection with such registration, Mr. Chan Lin So Alan of 11/F, Linkchart Centre, 2 Tai Yip Street, Kwun Tong, Kowloon, Hong Kong and Mr. Yiu Koon Pong of 11/F, Linkchart Centre, 2 Tai Yip Street, Kwun Tong, Kowloon, Hong Kong have been appointed as the authorised representatives of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises of the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with par value of HK\$0.01 each. On 27 May 2016, one nil-paid subscriber Share was allotted and issued to the initial subscriber to the Memorandum and Articles of Association of our Company, which was subsequently transferred to Global Succeed on the same date.
- (b) On 18 July 2016, Winterchase transferred all the issued shares of Wish Enterprise to our Company, in consideration of our Company allotting and issuing 4,999 new Shares to Global Succeed, all credited as fully paid; and crediting as fully paid at par the one nil-paid Share held by Global Succeed.
- (c) On 18 July 2016, Winterchase transferred all the issued shares of Glory Unique to our Company, in consideration of our Company allotting and issuing 5,000 new Shares, credited as fully paid, to Global Succeed.
- (d) Pursuant to the written resolutions of our then sole Shareholder passed on 16 January 2017, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 ordinary shares of par value HK\$0.01 each, by the creation of an additional 3,962,000,000 Shares.
- (e) Immediately following completion of the Capitalisation Issue and the Public Offer, the authorised share capital of our Company will be HK\$40,000,000 divided into 4,000,000,000 Shares and the issued share capital of our Company will be HK\$4,800,000 divided into 480,000,000 Shares fully paid or credited as fully paid, and 3,520,000,000 Shares will remain unissued. Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraph headed “3. Resolutions in

writing of the sole Shareholder passed on 16 January 2017 and 19 June 2017” in this appendix and the allotment and issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in its general meeting, no issue of shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Resolutions in writing of the sole Shareholder passed on 16 January 2017 and 19 June 2017

Pursuant to the resolutions in writing passed by the then sole Shareholder on 16 January 2017, among other matters:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 ordinary shares of par value HK\$0.01 each by the creation of 3,962,000,000 additional ordinary shares of par value HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions; and
- (c) each of the service agreements between each executive Director and our Company and each of the appointment letters between each independent non-executive Director and our Company was approved.

Pursuant to the resolutions in writing passed by the then sole Shareholder on 19 June 2017, among other matters:

- (a) other than the resolutions in respect of (i) the increase of authorised share capital of our Company; (ii) our Company’s adoption of the Memorandum and the Articles; (iii) the approval of the form and substance of the service contracts entered into by our Company with each of Mr. Chan and Mr. Yiu; and (iv) the approval of the form and substance of the letters of appointment issued by our Company to and accepted by each of Mr. Li Fu Yeung, Mr. Wong Tin King Richard and Ms. Chow Ting Hei Haily Josephine, all other resolutions passed by the then sole Shareholder by way of written resolutions on 16 January 2017 to the extent they have not already taken effect or become unconditional be and were thereby revoked and replaced with the written resolutions passed by the then sole Shareholder on 19 June 2017;
- (b) our Company adopted the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “12. Share Option Scheme” below, and our Directors were authorised to grant options to subscribe for the Shares thereunder and, conditional on the Listing Division of the Stock Exchange granting of the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the Public Offer (including any additional Shares which may be granted under the Share Option Scheme) and any Shares issued under the Capitalisation Issue, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme;
- (c) conditional on (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM; (ii) the Price Determination Agreement having been executed by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company and becoming effective

on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus;

- (i) the Public Offer was approved and our Directors were authorised to allot and issue the new Shares under the Public Offer;
- (ii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Public Offer, our Directors were authorised to capitalise HK\$3,599,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 359,990,000 Shares for allotment and issue to the Shareholder(s) whose name(s) appear on the register of members or the principal share register of our Company at the close of business on the date of passing that resolution (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their respective shareholdings in our Company, and the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Public Offer or the Capitalisation Issue, Shares or securities convertible into Shares with a total number of not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Public Offer (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and (bb) the total number of Shares which may be purchased by our Company pursuant to the authority granted to our Directors in paragraph (iv) below, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (d), whichever occurs first; and
- (e) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase on GEM the Shares with a total number of not exceeding 10% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Public Offer (excluding any

Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (e), whichever occurs first.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. Please see "History, Development and Reorganisation — Reorganisation" for further details.

5. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report, we do not have any other subsidiary. Save as disclosed in the section headed "History, Development and Reorganisation", there has been no changes to the share capital made by our subsidiaries during the two years preceding the date of this prospectus.

6. Repurchase of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our then sole Shareholder on 19 June 2017, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Public Offer but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the date by which the

next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority given to our Directors.

(ii) Source of funds

Any repurchase of securities by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules.

Any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of either or both of the profits of our Company or our Company's share premium account, before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement, otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Connected parties

Our Company is prohibited from knowingly repurchasing the Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which by definition includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on GEM.

(iv) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the SFC and the Stock Exchange up to a maximum of 10% of the number of issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its

shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

(v) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled and the certificates of the relevant securities must be cancelled and destroyed. Under Cayman Islands law, shares repurchased by a Cayman Islands company may be treated as cancelled and, if so cancelled, the amount of the company's issued share capital shall be reduced by the number of the repurchased shares accordingly although the authorised share capital of the company will not be taken as reduced.

(vi) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half year, quarter-year period or any other interim period (whether or not required by the GEM Listing Rules); and (2) the deadline for our Company to publish an announcement of its results for any year, or half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and in each case ending on the date of the results announcement, our Company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if our Company has breached the GEM Listing Rules.

(vii) Reporting requirements

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. Our Company shall make arrangements with its broker who effects the purchase to

provide our Company in a timely manner the necessary information in relation to the purchase made on behalf of the company to enable our Company to report to the Stock Exchange.

(b) Exercise of the Repurchase Mandate

The exercise in full of the Repurchase Mandate, on the basis of 480,000,000 Shares in issue immediately after the listing of the Shares on the Stock Exchange, would result in up to 48,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

No core connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the agreement for sale and purchase dated 6 July 2016 entered into between Winterchase as vendor and Wish Enterprise as purchaser, pursuant to which Winterchase agreed to sell, and Wish Enterprise agreed to purchase, 100 shares of My Heart Lingerie, representing its entire issued share capital, at the consideration of HK\$20 million to be satisfied by Wish Enterprise allotting and issuing one new share credited as fully paid to Winterchase;
- (b) the agreement for sale and purchase dated 6 July 2016 entered into between Winterchase as vendor and Glory Unique as purchaser, pursuant to which Winterchase agreed to sell, and Glory Unique agreed to purchase, five shares of My Heart Factory, representing its entire issued share capital, at the consideration of HK\$1 million to be satisfied by Glory Unique allotting and issuing one new share credited as fully paid to Winterchase;
- (c) the share transfer agreement dated 30 June 2016 entered into between Mr. Chan and Mr. Yiu as transferors and My Heart Factory as transferee, pursuant to which each of Mr. Chan and Mr. Yiu agreed to transfer their respective 50% equity interest in Hua Xin Si to My Heart Factory at the consideration of RMB500,000 and RMB500,000 in cash, respectively;
- (d) the agreement for sale and purchase dated 18 July 2016 entered into between Winterchase as vendor and our Company as purchaser, pursuant to which Winterchase agreed to sell, and our Company agreed to purchase, two shares of Wish Enterprise,



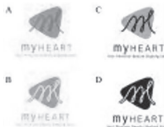

- representing its entire issued share capital, at the consideration of our Company (i) allotting and issuing 4,999 new Shares to Global Succeed, credited as fully paid; and (ii) crediting as fully paid at par the one nil-paid Share held by Global Succeed;
- (e) the agreement for sale and purchase dated 18 July 2016 entered into between Winterchase as vendor and our Company as purchaser, pursuant to which Winterchase agreed to sell, and our Company agreed to purchase, two shares of Glory Unique, representing its entire issued share capital, at the consideration of our Company allotting and issuing 5,000 new Shares, credited as fully paid, to Global Succeed;
- (f) the registered design assignment dated 7 March 2016 entered into between Winterchase as assignor and My Heart Lingerie as assignee, pursuant to which Winterchase agreed to assign and transfer 14 registered designs to My Heart Lingerie at the consideration of HK\$1;
- (g) the trademark assignment dated 7 March 2016 entered into between Winterchase as assignor and My Heart Lingerie as assignee, pursuant to which Winterchase agreed to assign and transfer 16 trademarks to My Heart Lingerie at the consideration of HK\$1;
- (h) the Deed of Indemnity;
- (i) the Deed of Non-competition; and
- (j) the Underwriting Agreement.

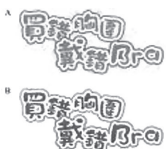

8. Intellectual property rights of our Group




(a) Trademarks


(i) Registered trademarks

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks:

No.	Trademark	Registered owner	Type and class	Place of registration	Registration number	Duration of validity
1.		My Heart Lingerie	25	Hong Kong	300073647	05/09/2003– 04/09/2023
2.		My Heart Lingerie	25	Hong Kong	301064268	04/03/2008– 03/03/2018
3.		My Heart Lingerie	25	Hong Kong	301151351	02/07/2008– 01/07/2018
4.		My Heart Lingerie	25	Hong Kong	301151360	02/07/2008– 01/07/2018

No.	Trademark	Registered owner	Type and class	Place of registration	Registration number	Duration of validity
5.		My Heart Lingerie	25	Hong Kong	301154402	07/07/2008– 06/07/2018
6.		My Heart Lingerie	3, 18, 25	Hong Kong	301156365	09/07/2008– 08/07/2018
7.		My Heart Lingerie	25, 35	Hong Kong	301178217	11/08/2008– 10/08/2018
8.		My Heart Lingerie	25, 35	Hong Kong	301178226	11/08/2008– 10/08/2018
9.		My Heart Lingerie	25, 35	Hong Kong	301252908	08/12/2008– 07/12/2018
10.		My Heart Lingerie	25, 35	Hong Kong	301273996	19/01/2009– 18/01/2019
11.		My Heart Lingerie	25, 35	Hong Kong	301505961	22/12/2009– 21/12/2019
12.		My Heart Lingerie	25, 35	Hong Kong	301550259	25/02/2010– 24/02/2020
13.		My Heart Lingerie	16, 25, 35, 39	Hong Kong	303004505	22/05/2014– 21/05/2024
14.		My Heart Lingerie	16, 25, 35, 39	Hong Kong	303255183	31/12/2014– 30/12/2024
15.		My Heart Lingerie	25, 35, 39	Hong Kong	303488383AB	29/07/2015– 28/07/2025
16.		My Heart Lingerie	25, 39	Hong Kong	303488392AB	29/07/2015– 28/07/2025

No.	Trademark	Registered owner	Type and class	Place of registration	Registration number	Duration of validity
17.		My Heart Lingerie	25, 35	Hong Kong	303756141	25/04/2016– 24/04/2026
18.		My Heart Lingerie	3	Hong Kong	303756132	25/04/2016– 24/04/2026
19.		My Heart Lingerie	16, 25, 35, 39	Hong Kong	303702357	03/03/2016– 02/03/2026
20.		My Heart Lingerie	25, 35	Canada	TMA784786	14/12/2010– 13/12/2025
21.		My Heart Lingerie	3, 25, 35	EU	008997991	17/12/2010– 31/03/2020
22.		My Heart Lingerie	25	Macau	N/109943	13/09/2016– 13/09/2023
			35	Macau	N/109944	13/09/2016– 13/09/2023
23.		My Heart Lingerie	35	PRC	6882976	20/08/2010– 27/08/2020
			25	PRC	6882977	28/01/2012– 27/01/2022
24.		My Heart Lingerie	35	PRC	6898340	28/08/2010– 27/08/2020
			25	PRC	6898382	28/03/2012– 27/03/2022
25.		My Heart Lingerie	25	PRC	6898380	07/08/2012– 06/08/2022
			35	PRC	6898381	14/10/2010– 13/10/2020
26.		My Heart Lingerie	35	PRC	7121904	07/09/2010– 06/09/2020
			25	PRC	7121905	07/09/2010– 06/09/2020
27.		My Heart Lingerie	35	PRC	6898341	21/08/2010– 20/08/2020

No.	Trademark	Registered owner	Type and class	Place of registration	Registration number	Duration of validity
28.		My Heart Lingerie	25	PRC	7313064	28/08/2012– 27/08/2022








(ii) Trademarks under application for registration

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks:

No.	Trademark	Applicant	Type and class	Place of application	Application number	Application date
1.	BodiBra	My Heart Lingerie	25	PRC	20091231	26/05/2016
			35	PRC	20091232	26/05/2016
2.		My Heart Lingerie	25	PRC	20091227	26/05/2016
			35	PRC	20091228	26/05/2016
3.	BODycare	My Heart Lingerie	3	Macau	N/ 111417(497)	03/05/2016
			35	Macau	N/ 111418(065)	03/05/2016
4.		My Heart Lingerie	25	Macau	N/ 111409(402)	03/05/2016
			35	Macau	N/ 111410(853)	03/05/2016
5.	INVSI	My Heart Lingerie	25	Macau	N/ 111411(984)	03/05/2016
			35	Macau	N/ 111412(390)	03/05/2016
6.	JUNE	My Heart Lingerie	25	Macau	N/ 111413(000)	03/05/2016
			35	Macau	N/ 111414(625)	03/05/2016
7.	YOGA ORIGIN	My Heart Lingerie	35	Macau	N/ 111416(071)	03/05/2016
			25	Macau	N/ 111415(879)	03/05/2016

(b) Registered designs



(i) *As at the Latest Practicable Date, our Group was the registered owner of the following designs:*

No.	Representation	Registered owner	Locarno classification no.	Place of registration	Registration number	Duration of validity
1.		My Heart Lingerie	2-01	Hong Kong	1501315.6M001	18/06/2015– 17/06/2020
2.		My Heart Lingerie	2-01	Hong Kong	1501315.6M002	18/06/2015– 17/06/2020
3.		My Heart Lingerie	2-01	Hong Kong	1501315.6M003	18/06/2015– 17/06/2020
4.		My Heart Lingerie	2-01	Hong Kong	1500936.2	27/04/2015– 26/04/2020
5.		My Heart Lingerie	2-01	Hong Kong	1500485.4	23/02/2015– 22/02/2020
6.		My Heart Lingerie	2-01	Hong Kong	1500445.0	13/02/2015– 12/02/2020
7.		My Heart Lingerie	2-01	Hong Kong	1500444.7	13/02/2015– 12/02/2020

No.	Representation	Registered owner	Locarno classification no.	Place of registration	Registration number	Duration of validity
8.		My Heart Lingerie	2-01	Hong Kong	1400939.7	22/05/2014– 21/05/2019
9.		My Heart Lingerie	2-01	Hong Kong	1302008.4M001	13/11/2013– 12/11/2018
10.		My Heart Lingerie	2-01	Hong Kong	1302008.4M002	13/11/2013– 12/11/2018
11.		My Heart Lingerie	2-01	Hong Kong	1302008.4M003	13/11/2013– 12/11/2018
12.		My Heart Lingerie	2-01	Hong Kong	1002211.1	26/11/2010– 25/11/2020
13.		My Heart Lingerie	2-02	Hong Kong	1000553.4	29/03/2010– 28/03/2020
14.		My Heart Lingerie	2-02	Hong Kong	0900500.0	31/03/2009– 30/03/2019

No.	Representation	Registered owner	Locarno classification no.	Place of registration	Registration number	Duration of validity
15.		My Heart Lingerie	2-01	Hong Kong	0601940.0	25/07/2006– 24/07/2021
16.		My Heart Lingerie	2-01	Hong Kong	0601939.8	25/07/2006– 24/07/2021
17.		My Heart Lingerie	2-01	Hong Kong	0502526.3	19/10/2005– 18/10/2020
18.		My Heart Lingerie	2-01	Hong Kong	1600064.2	14/01/2016– 13/01/2021
19.		My Heart Lingerie	2-01	Hong Kong	1601281.3	06/07/2016– 05/07/2021
20.		My Heart Lingerie	2-01	Hong Kong	1601861.4	30/09/2016– 29/09/2021
21.		My Heart Lingerie	2-01	PRC	ZL201530437678.1	05/11/2015– 04/11/2025
22.		My Heart Lingerie	2-01	PRC	ZL201630536728.6	28/10/2016– 27/10/2026

(ii) *As at the Latest Practicable Date, our Group had applied for registration of the following design:*

<u>No.</u>	<u>Representation</u>	<u>Applicant</u>	<u>Locarno classification no.</u>	<u>Place of application</u>	<u>Application number</u>	<u>Application date</u>
1.		My Heart Lingerie	2-01	Hong Kong	1602470.5	23/12/2016
2.		My Heart Lingerie	2-01	Hong Kong	1700224.3	10/02/2017

(c) *Domain name*

As at the Latest Practicable Date, our Group was the registered owner of the following domain names, which are material to our Group's business:

<u>Domain name</u>	<u>Registrant</u>	<u>Expiry date</u>
bodibra.com	My Heart Lingerie	07/08/2021
myheartgrp.com	My Heart Lingerie	04/07/2018
bodibra.com.cn	My Heart Lingerie	21/08/2020
myheartlingerie.com	My Heart Lingerie	19/03/2025

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

9. Directors

(a) *Particulars of Directors' service contracts*

Each of our executive Directors has entered into a service contract with our Company on 16 January 2017. The principal particulars of these service contracts are (a) each of them agreed to act as an executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' written notice served by either party on the other, and (b) is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles. Each of our executive Directors is entitled to a fixed basic annual salary of HK\$600,000 as remuneration and director's fee for his services. Our Board shall have a complete discretion whether to grant any increase in the salary and any increase so granted shall take effect from such date as our Board may specify. In addition, each of our executive Directors is also entitled to a discretionary management bonus for the financial year ended 31

March 2017 and onwards as may be determined by our Board at its sole discretion. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him.

Each of our independent non-executive Directors has signed an appointment letter with our Company on 16 January 2017. The principal particulars of these appointment letters are (a) each of them agreed to act for an initial term of one year commencing from the Listing Date with a director's fee of HK\$108,000 per annum, which may be terminated by not less than one month' written notice served by either party on the other, and (b) is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

Save as aforesaid, none of our Directors has or is proposed to have a service contract or an appointment letter with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(b) Remuneration of Directors

- (iii) The annual salaries of our executive Directors and the annual director's fees of our independent non-executive Directors are as follows:

<u>Name</u>	<u>Annual amount</u> (HK\$)
<i>Executive Directors</i>	
Mr. Chan Lin So Alan (陳麟書)	600,000
Mr. Yiu Koon Pong (姚冠邦)	600,000
<i>Independent non-executive Directors</i>	
Mr. Li Fu Yeung (李富揚)	108,000
Mr. Wong Tin King Richard (黃天競)	108,000
Ms. Chow Ting Hei Haily Josephine (鄒婷晞)	108,000

- (iv) The executive Directors may be granted a discretionary management bonus for the financial year ending 31 March 2018 and onwards at the sole discretion of our Board.
- (v) For the years ended 31 March 2015, 2016 and 2017, the aggregate of the remuneration (including salaries and allowance, if any) paid and benefits in kind granted by our Group to our Directors was approximately HK\$720,000, HK\$792,000 and HK\$836,000, respectively.
- (vi) Under the arrangements currently in force at the date of this prospectus, the aggregate of the remuneration (excluding discretionary bonus) payable by our Company and other members of our Group to, and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 March 2018, are expected to be approximately HK\$1,352,000.

- (vii) No amount was paid to, or receivable by, our Directors, for each of the two financial years of our Company immediately preceding the issue of this prospectus as an inducement to join or upon joining our Company.
- (viii) No compensation was paid to, or receivable by, our Directors (including past Directors) for each of the two financial years of our Company immediately preceding the issue of this prospectus for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (ix) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two financial years of our Company immediately preceding the issue of this prospectus.

(c) *Interests and short positions of Directors in the Shares, underlying shares or debentures of our Company and its associated corporations*

Immediately following the completion of the Capitalisation Issue and the Public Offer but without taking into account the allotment and issue of any Shares upon the exercise of options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

(i) *Long position in the Shares*

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held immediately after completion of the Capitalisation Issue and the Public Offer</u>	<u>Percentage of shareholding immediately after completion of the Capitalisation Issue and the Public Offer</u>
Mr. Chan (<i>Note 1</i>)	Interest in a controlled corporation; interest held jointly with another person	360,000,000	75%
Mr. Yiu (<i>Note 1</i>)	Interest in a controlled corporation; interest held jointly with another person	360,000,000	75%

Note:

- Global Succeed is beneficially owned as to 50% by Mr. Chan and 50% by Mr. Yiu. On 5 July 2016, Mr. Chan and Mr. Yiu entered into the Acting in Concert Confirmation to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that to continue to act in the same manner in our Group upon the Listing. For details, see “Relationship with Controlling Shareholders — Acting in Concert Confirmation”. By virtue of the SFO, Mr. Chan and Mr. Yiu are deemed to be interested in the Shares held by Global Succeed.

(ii) *Long position in the ordinary shares of associated corporation*

<u>Name</u>	<u>Name of associated corporation</u>	<u>Capacity/Nature of interest</u>	<u>Number of share(s) held</u>	<u>Percentage of interest</u>
Mr. Chan	Global Succeed (<i>Note 1</i>)	Beneficial owner	1	50%
Mr. Yiu	Global Succeed (<i>Note 1</i>)	Beneficial owner	1	50%

Note:

- Global Succeed is the direct Shareholder of our Company and is an associated corporation within the meaning of Part XV of the SFO.

10. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Public Offer but without taking into account the allotment and issue of any Shares upon the exercise of any options which may be granted under the Share Option Scheme, the following persons/entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares held immediately after completion of the Capitalisation Issue and the Public Offer (long position)</u>	<u>Percentage of shareholding immediately after completion of the Capitalisation Issue and the Public Offer</u>
Global Succeed (<i>Note 1</i>)	Beneficial owner	360,000,000	75%

Note:

- Global Succeed is beneficially owned as to 50% by Mr. Chan and 50% by Mr. Yiu. On 5 July 2016, Mr. Chan and Mr. Yiu entered into the Acting in Concert Confirmation to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that to continue to act in the same manner in our Group upon the Listing. For details, see “Relationship with Controlling Shareholders — Acting in Concert Confirmation”. By virtue of the SFO, Mr. Chan and Mr. Yiu are deemed to be interested in the Shares held by Global Succeed.

11. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be taken up or acquired under the Public Offer or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Public Offer will have an interest or short position in our Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other members of our Group;
- (b) none of our Directors or chief executive of our Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in our Shares, underlying Shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once our Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in the paragraph headed “20. Qualifications and consents of experts” below has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for Offer Shares either in his/her own name or in the name of a nominee;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (e) none of the experts named in the paragraph headed “20. Qualifications and consents of experts” below has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group or is an officer or a servant or partner of or in the employment of an officer or a servant of our Group.

OTHER INFORMATION**12. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Board and the written resolutions of our then sole Shareholder on 19 June 2017.

For the purpose of this section, the following expressions have the meanings set out below unless context otherwise requires:

“Adoption Date”	means 19 June 2017, the date on which the Share Option Scheme is conditionally adopted by our Company by the written resolutions of the Shareholders;
“Board”	means our Board from time to time or a duly authorised committee thereof;
“Eligible Employee”	means any employee (whether full time or part time employee, including any executive Directors) of our Company, any of its subsidiaries and any Invested Entity;
“Grantee”	means any Participant who accepts the offer of the grant of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal representative of such person;
“Group”	means our Company and its subsidiaries from time to time and member(s) of our Group” shall be construed accordingly;
“Invested Entity”	means any entity in which our Group holds any equity interest;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme and for the time being subsisting;
“Option Period”	means in respect of any particular Option, such period as our Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and that our Board may at its discretion determine the minimum period for which the Option has to be held before the exercise of the Option;

- “Participant” means any person belonging to any of the following classes of participants:
- (a) any Eligible Employee;
 - (b) any non-executive director (including independent non-executive directors) of our Company, any of its subsidiaries or any Invested Entity;
 - (c) any supplier of goods or services to any member of our Group or any Invested Entity;
 - (d) any customer of our Group or any Invested Entity;
 - (e) any person or entity that provides research, development or other technological support to our Group or any Invested Entity;
 - (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
 - (g) any adviser (professional or otherwise) or consultant to any area of business or business development of our Group or any Invested Entity; and
 - (h) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of our Group, and for the purposes of the Share Option Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust; and
- “Scheme Period” means a period commencing on the Adoption Date and ending on the tenth anniversary of the Adoption Date (both dates inclusive).

(a) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity.

(b) Who may join

Subject to Share Option Scheme and the GEM Listing Rules, our Board shall be entitled at any time and from time to time within the Scheme Period to offer to grant to any Participant as our Board may in its absolute discretion select, and subject to such conditions as our Board may think fit, an Option to subscribe for such number of Shares as our Board may determine at a price calculated in accordance with sub-paragraph (d) below.

Upon acceptance of an offer for grant of Option(s), the Participant shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date of the grant.

(c) Grant of option and acceptance of offer

No offer of grant of Options shall be made where inside information has come to our Company's knowledge until an announcement of such inside information has been published in accordance with the GEM Listing Rules and/or Part XIVA of the SFO. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approval of the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish an announcement of the results for any year, half year or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the announcement of the results, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement. Our Board may not grant any option to a Participant who is a Director during the periods or times in which such Directors are prohibited from dealing in the Shares prescribed by Rules 5.48 to 5.67 of the GEM Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

No Participant shall be granted Options which if exercised in full would result in the total number of Shares already issued under all the Options granted to him which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of Shares in issue, provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, our Company may make further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the total number of Shares already issued under all the Options granted to such Participant which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of Shares in issue. In such circumstances, we must send a circular to the Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted and Options previously granted to such Participant and all the information required under the GEM Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Participant must be fixed before the Shareholders'

approval and the date of the meeting of our Board for proposing such further grant of Option should be taken as the date of grant for the purpose of calculating the relevant subscription price.

Unless our Board otherwise determined and stated in the offer of the grant of Options to a Participant, a Grantee is not required to achieve any performance target before any Options granted under the Share Option Scheme can be exercised.

(d) Price of Shares

The subscription price for the Shares subject to any particular Option shall be such price as determined by our Board in its absolute discretion at the time of the grant of the relevant Option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the Option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the Option; and (iii) the nominal value of a Share.

For the purpose of determining the relevant subscription price where the Shares have been listed on the Stock Exchange for less than five trading days preceding the date of the grant of the Option, the issue price of the Shares shall be deemed to be the closing price of the Shares on the Listing Date for any trading day falling within the period before the Shares are listed on the Stock Exchange.

(e) Maximum amount of Shares

- (i) The total number of Shares which may be issued upon exercise of all Options (excluding for this purpose Options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue on the Listing Date. On the basis of 480,000,000 Shares in issue on the Listing Date, the limit will be equivalent to 48,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Our Company may refresh the 10% limit by seeking prior approval from Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all Options and any other share option schemes of our Company, in aggregate, must not exceed 10% of the total number of Shares in issue as at the date of such Shareholders' approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme) will not be counted for the purpose of calculating the refreshed limit.
- (iii) Our Company may also grant Options beyond the 10% limit by seeking Shareholders' approval in a general meeting, provided that the Grantee(s) of such Option(s) must be specifically identified by our Company before such approval is

sought. In such event, our Company shall send a circular to its Shareholders containing a generic description of the specified Grantees who may be granted such Options, the number and terms of such Options to be granted, the purpose of granting such Options, an explanation as to how the terms of the Options serve such purpose and the information required by the GEM Listing Rules.

- (iv) Notwithstanding the foregoing, our Company must not grant any options if the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company, exceed 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by our Board absolutely, provided that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme. Our Board may, at its discretion, determine the minimum period for which the Option has to be held before the Option can be exercised.

The exercise of any Option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of options.

(g) Rights are personal to grantee

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Grantee shall entitle us to cancel any outstanding Option or part thereof granted to such Grantee (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Grantee dies before exercising the Options in full, his legal personal representative(s) may exercise the Options in whole or in part (to the extent that it has become exercisable and not already exercised prior to such date of death) within a period of 12 months from the date of death, failing which such Option will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction

or similar reorganisation of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (ii) the subscription price; and/or
- (iii) the method of exercise of the Option; and/or
- (iv) the maximum number of Shares referred in sub-paragraph (e) above and the Further Grant referred in sub-paragraph (c) above.

Our Company's independent financial adviser or auditors shall certify in writing to our Board as to whether the corresponding alterations are in their opinion fair and reasonable. Any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such alteration shall remain the same as that to which he was entitled to before such alteration and that the aggregate subscription price payable by a Grantee on the full exercise of any Option shall remain as close as possible (but shall not be greater than) as it was before such event. No such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group for cash or as consideration in a transaction.

The capacity of our Company's auditors and independent financial advisers is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and binding on our Company and the Participants. The cost of our independent financial advisers and the auditors shall be borne by us.

(j) Rights on take-over

In the event of a general or partial offer (whether by way of take-over offer, merger, share repurchase offer, or privatisation proposed by scheme of arrangement or otherwise in like manner), is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror, we shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to us in exercise of the Option at any time with 14 days after the date on which such offer becomes or is declared unconditional.

(k) Rights on a compromise or arrangement

- (i) In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee, subject to the provisions of all applicable laws (or where permitted under sub-paragraph (h) above, and his legal personal representative(s)) shall be entitled to exercise all or any of his Options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to us, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon we shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.
- (ii) In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, we shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any Grantee (or where permitted under sub-paragraph (h) above his legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court be entitled to exercise his Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. We may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his Option so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(l) Rights of Grantee ceasing to be a Participant

In the event of the Grantee ceasing to be a Participant for any reason other than his death or termination of his employment on one or more of the grounds specified in the sub-paragraph (m)(iv) below, then, if the Option Period has not at the date of such cessation commenced, the Option shall lapse and if the Option Period has commenced, the Grantee may exercise the Option in accordance with the Share Option Scheme, up to his entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not

already exercised) which date shall be the last actual working day with our Company or the relevant subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as our Board may determine.

(m) Lapse of Option

An Option shall lapse automatically and shall cease to be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period (subject to the provisions of the Share Option Scheme);
- (ii) the expiry of any periods referred to in paragraphs (h) and (l);
- (iii) the date on which the offer (or the case may be, revised offer) referred to in subparagraph (j) above closes;
- (iv) subject to sub-paragraph (k)(i) above, the date of the commencement of the winding-up of our Company;
- (v) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary or the relevant Invested Entity. A resolution of our Board or the board of directors of the relevant subsidiary or the board of directors of the relevant Invested Entity to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee;
- (vi) subject to sub-paragraph (k)(ii) above, the date when the proposed compromise or arrangement becomes effective;
- (vii) the date on which the Grantee commits a breach of sub-paragraph (g) above; or
- (viii) if our Directors at their absolute discretion determine that the Grantee (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and our Group or any Invested Entity on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, our Directors shall determine that the outstanding Options

granted to the Grantee (whether exercisable or not) shall lapse. In such event, his Options will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

(n) Ranking of Shares

Shares allotted and issued upon exercise of an Option will be subject to all provisions of our Company's articles of associations amended from time to time and will carry the same rights in all respects with the existing fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date when the name of the Grantee is registered on the register of members of our Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the Grantee is registered on the register of members of our Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of our Company is closed then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of members of our Company is re-opened. A Share allotted upon exercise of an Option shall not carry any voting right until the completion of the registration of the Grantee as the holder thereof.

(o) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be subject to the prior written consent of the relevant Grantee and approval of our Directors.

Where our Company elects to cancel Options and issue new ones to the same Grantee, the issue of such new Options may only be made under a scheme with available unissued Options (excluding cancelled Options) within the limit approved by the Shareholders.

(p) The Scheme Period

Subject to the termination of the Share Option Scheme, the Share Option Scheme will be valid and effective for the Scheme Period, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the Scheme Period and remain unexercised immediately prior to the end of the Scheme Period shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the Share Option Scheme.

(q) Alteration and termination of Share Option Scheme

The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of participants except (i) with the approval of the Shareholders in general meeting; or (ii) where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Board in relation to any alteration to the term of the Share Option Scheme shall be approved by the Shareholders in general meeting except where the alteration take effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules and no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to options granted under the Share Option Scheme and provided further that any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange.

Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

Our Company, by ordinary resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered. On termination, the provision of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provision of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(r) Granting of option to a Director, chief executive of our Company or substantial Shareholder or any of their associates

Where options are proposed to be granted to a Director, chief executive of our Company or substantial Shareholder, or any of their respective associates, the proposed grant must comply with the requirements of Rule 23.04(1) of the GEM Listing Rules and be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial Shareholder or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of Shares in issue; and

- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5.0 million,

then the proposed grant of options must be approved by the Shareholders in a general meeting. At such general meeting, the grantee, his associates and all core connected persons of our Company must abstain from voting, unless they intend to vote against the proposed grant and provided that his intention to do so has been stated in the circular. Our Company will send a circular to our Shareholders containing all the information required under the GEM Listing Rules, including (i) details of the number and terms of the Options (including the Option period, performance targets (if any), basis of determination of subscription price and the rights attached to the Shares or the Option) to be granted to each substantial Shareholder or independent non-executive Director, or any of their respective associates, which must be fixed before the Shareholders meeting, and the date of our Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a Grantee of the Options) to the independent Shareholders as to voting; and (iii) all other information as required by the GEM Listing Rules.

In addition, any change in the terms of the Option granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the Shareholders in a general meeting.

The requirements for the grant of an option to a Director or chief executive of our Company set out in Rules 23.04(1), (2) and (3) shall not apply where the proposed grantee is only a proposed Director or chief executive of our Company.

(s) Conditions of Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting approval of the listing of and permission to deal in the Shares which fall to be issued upon exercise of the Options granted under the Share Option Scheme; and (ii) the commencement of dealings in the Shares on the GEM of the Stock Exchange.

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of Options under Share Option Scheme and listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under the Share Option Scheme.

13. Tax and other indemnities

Mr. Chan, Mr. Yiu and Global Succeed (collectively the “**Indemnifiers**”) have pursuant to the Deed of Indemnity, on a joint and several basis, given indemnities to our Company for ourselves and as trustee for other members of our Group in connection with, among other things:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of the death of any person and by reason of any transfer of any property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date;
- (b) taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into) on or before the Listing Date or any event or transaction on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company;
- (c) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group may properly incur in connection with:
 - (i) the investigation, assessment or contesting of any claim under (b) above;
 - (ii) the settlement of any claim under the Deed of Indemnity;
 - (iii) any legal or arbitration proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgement, award or decision is given in favour of any member of our Group; or
 - (iv) the enforcement of any such settlement or decision or judgement or award;
- (d) any and all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any violations or breaches or non-compliance of any laws, rules or regulations and/or all litigations, arbitrations, claims, complaints, demands and/or legal proceedings by or against any of the member of our Group in Hong Kong, the PRC, the Cayman Islands, BVI or any other part of the world, which was issued, accrued and/or arising from any act of any of the member of our Group at any time on or before the Listing Date, including but not limited to our Group’s non-compliance matters occurred during the Track Record Period.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for any taxation, liability or claims mentioned in the four paragraphs immediately above where:

- (a) to the extent that provision has been made for such taxation, liabilities or claim in the audited accounts of any member of our Group up to 31 March 2017;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 April 2017 and ending on the Listing Date, unless such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets before the Listing Date; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created before the Listing Date or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect;
- (d) to the extent that such taxation is discharged prior to the Listing Date by another person who is not a member of our Group and that none of the members of our Group is required to reimburse such person in respect of the discharge of the taxation; or
- (e) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 March 2017 and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

14. Litigation

Save as disclosed in this prospectus, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

15. Agency fees or commissions received

Except as disclosed in “Underwriting — Commission and expenses”, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

16. Sponsor

The Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue; and (b) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date. The Sponsor is entitled to sponsor’s fee in the amount of HK\$6.2 million.

The Sponsor has confirmed that it satisfies the independence criteria applicable to sponsor set forth in Rule 6A.07 of the GEM Listing Rules.

17. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Lego Corporate Finance Limited as its compliance adviser to provide consultancy services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year ending 31 March 2020.

18. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately USD4,300 (equivalent to approximately HK\$33,540) and are payable by our Company.

19. Promoters

Our Company has no promoter. Within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Public Offer or the related transactions described in this prospectus.

20. Qualifications and consents of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Lego Corporate Finance Limited	A corporation licenced by the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Cayman Islands legal adviser to our Company
Beijing Guantao Law Firm	Legal Advisers as to PRC law
Mr. Chan Chung	Barrister-at-law in Hong Kong
Mr. Ng, Danny Pak Kin	Barrister-at-law in Hong Kong
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

21. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

22. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

23. Taxation of holders of Shares**(a) Hong Kong****(i) Profits**

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged on each of the purchaser and seller at the current rate of 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111, Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

(b) The Cayman Islands

Under the Cayman Islands law currently in force, no stamp duty is payable in the Cayman Islands on transfers of our Shares except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the

Public Offer can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

24. Miscellaneous

- (a) Save as disclosed herein:
- (i) within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (cc) our Company has no outstanding convertible debt securities; and
 - (dd) no founder, management or deferred shares or any debentures (including convertible bonds) of our Company have been issued or agreed to be issued;
 - (ii) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up);
 - (iii) there has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus;
 - (iv) none of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought;
 - (v) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
 - (vi) there are no arrangements under which future dividends are waived or agreed to be waived; and
 - (vii) all necessary arrangements have been made to enable the Shares to be admitted into CCASS;

- (b) Subject to the provisions of the Companies Law, the principal share register of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch share register of our Company will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. Unless our Board otherwise agree, all transfers and other documents of title of our Shares must be lodged for registration with and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in “Other information — 20. Qualifications and consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in “Further information about the business of our Group — 7. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Guantao & Chow, Suites 1604–6, 16/F, ICBC Tower, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies now comprising our Group for each of the years ended 31 March 2015, 2016 and 2017 (or for the period since their respective dates of incorporation/establishment where it is shorter);
- (d) the report on unaudited pro forma financial information of our Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. referred to in “Industry Overview”;
- (f) the letter prepared by Appleby summarising certain aspects of Companies Law referred to in Appendix III to this prospectus;
- (g) the Companies Law;
- (h) the legal opinions issued by Beijing Guantao Law Firm, our PRC Legal Advisers, dated the date of this prospectus in respect of certain aspects of our Group referred to in this prospectus;
- (i) the legal opinions dated the date of this prospectus issued by Mr. Chan Chung, our Hong Kong Legal Counsel;
- (j) the legal opinion dated 19 July 2016 and the supplemental legal opinion dated 24 August 2016 issued by Mr. Ng, Danny Pak Kin, our TDO Legal Counsel;
- (k) the service contracts and appointment letters referred to in “Further information about our Directors, substantial Shareholders and experts — 9. Directors — (a) Particulars of Directors’ service contracts” in Appendix IV to this prospectus;

- (l) the rules of the Share Option Scheme referred to in “Other information — 12. Share Option Scheme” in Appendix IV to this prospectus;
- (m) the material contracts referred to in “Further information about the business of our Group — 7. Summary of material contracts” in Appendix IV to this prospectus; and
- (n) the written consents referred to in “Other information — 20. Qualifications and consents of experts” in Appendix IV to this prospectus.

My Heart Bodibra Group Limited
心心芭迪貝伊集團有限公司