

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on March 15, 2013. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on November 13, 2013 and our Company's principal place of business in Hong Kong is at Room 1601, Ho King Commercial Centre 2-16 Fa Yuen Street Mong Kok, Kowloon Hong Kong. Mr. Ng Cheuk Him of Flat E, 2/F., Leung Chau Building, 78 Un Chau Street, Sham Shui Po, Kowloon, Hong Kong, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and the articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles of Association is set out in Appendix IV of this prospectus.

**2. Changes in share capital of our Company**

As at the date of the incorporation of our Company, its authorized share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. The following sets out the changes in the share capital of our Company since the date of its incorporation:

- (a) On March 15, 2013, our Company (i) allotted and issued one Share to the initial subscriber, Codan Trust Company (Cayman) Limited at par value which was transferred to Think Wise on the same day; (ii) allotted and issued 99 Shares at par value to Think Wise.
- (b) On April 16, 2013, our Company allotted and issued 9,050 Shares to Think Wise at par value, in consideration of Think Wise's transfer of all the issued share capital in Red Kids HK to Obvious Cheer.
- (c) On April 17, 2013, our Company allotted and issued 350 Shares, 350 Shares and 150 Shares to SHKSF, Vantage Assets and Benhui, respectively, in consideration of Mr. Ding's acquisition of 8.5% interest in the issued share capital of Think Wise held by SHKSF, Vantage Assets and Benhui in aggregate.
- (d) On June 17, 2013, Think Wise transferred 165 Shares and 105 Shares in our Company at par value to SHKSF and Vantage Assets, respectively. Please refer to the section headed "History and Corporate Structure — Corporate Reorganization" for further details of such transfers.
- (e) On June 17, 2013, our Company allotted and issued 556,120, 50,985, 45,045, 14,850, 66,000, 66,000, 66,000, 65,000 and 60,000 Shares at par value to Think Wise, SHKSF, Vantage Assets, Benhui, Opulent Ample, Snowy Wise, Rightful Style, Splendid First and Wind Dove, respectively.
- (f) On December 27, 2013, our Shareholders resolved to increase the authorized share capital of our Company from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01.

Immediately following completion of the Capitalization Issue and the Global Offering and without taking into account Shares to be issued upon exercise of the Over-allotment Option, and any options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme, the authorized share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 800,000,000 Shares will be issued as fully paid, and 9,200,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “4. Written resolutions of our Shareholders passed on December 27, 2013” in this Appendix, our Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein, or in the section headed “History and Corporate Structure” of this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

### **3. Changes in share capital of our subsidiaries**

The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

#### ***Obvious Cheer***

On January 2, 2013, Obvious Cheer, a direct wholly-owned subsidiary of our Company, was incorporated as a limited liability company in the BVI.

On March 22, 2013, one share in Obvious Cheer was allotted and issued, credited as fully paid, to our Company at par value of US\$1.00.

#### ***Red Kids HK***

On April 16, 2013, Think Wise transferred all the issued share capital in Red Kids HK to Obvious Cheer, in consideration of our Company’s allotment and issuance of 9,050 Shares to Think Wise.

#### ***Red Kids China***

On March 21, 2013, the board of Red Kids China resolved to increase its registered capital from HK\$70 million to HK\$140 million. According to a capital verification report issued by an independent third party auditor, as of April 26, 2013, 100% of the increased registered capital of Red Kids China has been paid up.

On July 15, 2013, the board of Red Kids China further resolved to increase its registered capital from HK\$140 million to HK\$160 million. According to a capital verification report issued by an independent third party auditor, as of August 2, 2013, 100% of the increased registered capital of Red Kids China has been paid up.

#### ***Miko Shanghai***

On June 24, 2013, Miko Shanghai was established under the laws of the PRC with a registered capital of HK\$20 million. According to a capital verification report issued by an independent third party auditor, as of July 15, 2013, 100% of the registered capital of Miko Shanghai has been paid up.

Save as set out above, there has been no alteration in the share capital of any of our subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

#### 4. Written resolutions of our Shareholders passed on December 27, 2013

Pursuant to the written resolutions of all Shareholders entitled to vote at general meetings of our Company, which were passed on December 27, 2013:

- (a) the authorized share capital of our Company be increased from HK\$380,000 divided into 38,000,000 of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each, all of which shall rank *pari passu* in all respects with existing Shares in issue as at the date of such resolutions;
- (b) subject to the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorized to allot and issue a total of 639,000,000 Shares and apply it towards paying up in full at par to the Shareholders whose names appear on the register of members of our Company at the close of business on December 27, 2013 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their respective existing shareholdings by way of capitalization of the sum of HK\$6,390,000 standing to the credit of the share premium account of our Company and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;
- (c) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalization Issue, the Global Offering, the Over-allotment Option, the Pre-IPO Share Option Scheme and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:
  - (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;
  - (ii) the rules of the Pre-IPO Share Option Scheme were approved and adopted and our Directors were authorized to take all such actions as they consider necessary and/or desirable to implement and give effect to the Pre-IPO Share Option Scheme and to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted thereunder;
  - (iii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock

Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

- (d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before any exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme;

For the purpose of this paragraph, “Rights Issue” means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but without taking into account any Shares to be issued upon exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme;

- (f) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (d) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but without taking into account any Shares to be issued upon exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme, be and is approved; and
- (g) the Articles of Association will be conditionally adopted.

Each of the general mandates referred to in paragraphs (d), (e) and (f) above will remain in effect until whichever is the earliest of:

- (1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (2) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or
- (3) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

## 5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

### (a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

#### (i) *Shareholders' approval*

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions passed on December 27, 2013 by all our Shareholders, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following completion of the Global Offering, further details of which have been described above in the paragraph

headed “4. Written resolutions of our Shareholders passed on December 27, 2013” in this Appendix.

*(ii) Source of funds*

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange 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) Shares to be repurchased*

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

**(b) Reasons for repurchases**

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from the Shareholders to enable them 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 when the Directors believe that such repurchases will benefit our Company and our Shareholders.

**(c) Funding of repurchases**

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company’s current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position 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 our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

**(d) General**

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to us.

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 Listing Rules and the applicable laws and regulations of the Cayman Islands. If, as a result of any repurchase of Shares, a shareholder’s proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate

control of us 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.

We have not made any repurchases of our own securities in the past six months.

No connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. CORPORATE REORGANIZATION**

In order to streamline the corporate structure and rationalize our corporate structure for the Listing, our Group underwent the Corporate Reorganization. Please see the sub-section headed “History and Corporate Structure — Corporate Reorganization” in this prospectus for details.

## **C. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of the material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:


















- (a) A share swap agreement dated April 16, 2013 entered into among Obvious Cheer, Think Wise and our Company, pursuant to which Obvious Cheer acquired the entire issued share capital of Red Kids HK from Think Wise in consideration of Obvious Cheer procuring our Company to allot and issue 9,050 Shares, credited as fully paid, to Think Wise;
- (b) A share swap agreement dated April 17, 2013 entered into among Mr. Ding, Benhui and our Company, pursuant to which Mr. Ding acquired 150 shares of Think Wise from Benhui in consideration of Mr. Ding procuring our Company to allot and issue 150 Shares, credited as fully paid, to Benhui;
- (c) A share swap agreement dated April 17, 2013 entered into among Mr. Ding, SHKSF and our Company, pursuant to which Mr. Ding acquired 350 shares of Think Wise from SHKSF in consideration of Mr. Ding procuring our Company to allot and issue 350 Shares, credited as fully paid, to SHKSF;
- (d) A share swap agreement dated April 17, 2013 entered into among Mr. Ding, Vantage Assets and our Company, pursuant to which Mr. Ding acquired 350 shares of Think Wise from Vantage Assets in consideration of Mr. Ding procuring our Company to allot and issue 350 Shares, credited as fully paid, to Vantage Assets;
- (e) An investment agreement dated April 17, 2013 entered into among Think Wise, Chance Talent, Mr. Ding and our Company, pursuant to which Chance Talent agreed to subscribe for the Exchangeable Notes to be issued by Think Wise;
- (f) A property pre-purchase agreement dated June 3, 2013 entered into between Red Kids China and Shanghai Fashitu Investment Group Limited (上海法詩圖投資集團有限公司, “Shanghai Fashitu”), pursuant to which Red Kids China agreed to acquire from Shanghai Fashitu certain property under construction for a consideration of RMB115,000,000;

- (g) the Deed of Non-competition;
- (h) the Deed of Indemnity; and
- (i) the Hong Kong Underwriting Agreement.






## 2. Intellectual property rights of our Group

### Trademarks



As at the Latest Practicable Date, we have registered 38 trademarks in the PRC and the following trademarks are, in the opinion of our Directors, material to our business.

No.	Trademark	Place of registration	Class	Registration number	Expiry date
1		PRC	40	9050420	April 20, 2022
2		PRC	25	10841251	August 6, 2023
3		PRC	35	10847084	August 6, 2023
4		PRC	25	10841269	August 6, 2023
5		PRC	18	10847020	August 6, 2023
6		PRC	16	10847064	August 6, 2023
7		PRC	3	7601284	April 13, 2021
8		PRC	5	7601305	September 20, 2021
9		PRC	9	7601323	March 27, 2022
10		PRC	10	7601343	December 27, 2021
11		PRC	16	7601358	December 27, 2020
12		PRC	18	7601370	November 20, 2020
13		PRC	25	7604095	March 6, 2021
14		PRC	35	3129783	July 13, 2013
15		PRC	25	7604147	January 6, 2021
16		PRC	28	7604184	November 20, 2020
17		PRC	35	7604203	April 13, 2021









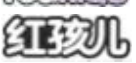






No.	Trademark	Place of registration	Class	Registration number	Expiry date
18		PRC	41	7604217	December 27, 2020
19		PRC	25	7604121	November 13, 2020
20		PRC	25	3952622	September 27, 2017
21		PRC	25	3952621	September 27, 2017
22		PRC	25	3952620	September 27, 2017

As at the Latest Practicable Date, we have registered below 3 trademarks in countries and regions outside the PRC:

No.	Trademark	Place of registration	Class	Registration number	Expiry date
1	 REDKIDS	Taiwan	025	01579107	May 16, 2023
2	 REDKIDS	Hong Kong	25	302237049	April 27, 2022
3	 redkids 红孩儿	Hong Kong	18,25,35	302442087	November 20, 2022

As at the Latest Practicable Date, 13 applications have been made for the registration of trademarks and the following trademark applications are, in the opinion of our Directors, material to our business:

No.	Trademark	Place of Application	Class	Application number	Application date
1	 REDKIDS	PRC	9	9047340	January 11, 2011
2	 REDKIDS	PRC	14	9047377	January 11, 2011
3	 REDKIDS	PRC	16	9047453	January 11, 2011
4	 REDKIDS	PRC	18	9047496	January 11, 2011
5	 REDKIDS	PRC	24	9047530	January 11, 2011
6	 REDKIDS	PRC	25	9050291	January 11, 2011
7	 REDKIDS	PRC	28	9050328	January 11, 2011
8	 REDKIDS	PRC	35	9050382	January 13, 2011
9	 redkids 红孩儿	PRC	25	10841119	April 27, 2012
10	 redkids 红孩儿	PRC	25	10841192	April 27, 2012
11	 redkids 红孩儿	PRC	18	10841317	April 27, 2012
12	 redkids 红孩儿	PRC	16	10842662	April 27, 2012
13	 redkids 红孩儿	PRC	28	10842733	April 27, 2012

*Domain Names*

As at the Latest Practicable Date, we have registered the following domain names:

<u>Registrant</u>	<u>Domain Name</u>	<u>Date of Registration</u>	<u>Expiration Date</u>
Red Kids China	Redkids.cn	May 16, 2003	May 16, 2015

### 3. Further information about our PRC establishments

#### Red Kids China

- |   |   |
|---|---|
| (i) nature of the company:                | wholly foreign-owned enterprise   |
| (ii) term of business operation:          | from January 20, 2000 to January 20, 2020   |
| (iii) total investment:                   | HK\$220 million   |
| (iv) registered capital:                  | HK\$160 million (fully paid)  |
| (v) attributable interest of our Company: | 100%  |
| (vi) scope of business:                   | Manufacturing and wholesale of apparel, footwear and hats, socks, bags and cases and stationary |

#### Miko Shanghai

- |   |   |
|---|---|
| (i) nature of the company:                | wholly foreign-owned enterprise   |
| (ii) term of business operation:          | from June 24, 2013 to June 23, 2023   |
| (iii) total investment:                   | HK\$30.0 million  |
| (iv) registered capital:                  | HK\$20.0 million (fully paid)   |
| (v) attributable interest of our Company: | 100%  |
| (vi) scope of business:                   | Designing of apparels and accessories; wholesale, online retail, commission agency (excluding auction), and import and export of apparels, accessories and children's products, and related supporting business activities; computer software development, sale of self-produced products (all above products are the products unrelated to government trades; for those products subject to quota and license management, such quota and license shall be applied for according to relevant national rules and regulations; for those products subject to administrative license, such license shall be obtained). |

## D. FURTHER INFORMATION ABOUT THE DIRECTORS

### 1. Directors' service contracts and appointment letters

Each of our executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our independent non-executive Directors has entered into an appointment letter with us for an initial fixed term of three years commencing from the Listing Date.

Each of our executive Directors and independent non-executive Directors is entitled to the respective basic salary set out below. A Director may not vote on any Board resolution regarding the determination of Director's fees or the amount of any discretionary bonus payable to him.

The current basic annual Director's fees of our Directors are as follows:

	<b>RMB'000</b>
Mr. Ding Peiji .....	100
Mr. Ding Peiyuan .....	100
Ms. Ding Lizhen .....	100
Mr. Gu Jishi .....	100
	<b>HK\$'000</b>
Mr. Leung Wai Yip .....	180
Mr. Mei Wenjue .....	180
Mr. Zhu Wenxin .....	180

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us 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)).

## **2. Directors' remuneration during the Track Record Period**

For the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, the aggregate of the remuneration paid and benefits in kind granted to our Directors by our Group was RMB1.0 million, RMB1.5 million, RMB1.6 million and RMB1.2 million, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus and share-based payment compensation granted under the pre-IPO Share Option Scheme) for the year ending December 31, 2013 will be approximately RMB2.6 million.

## **E. DISCLOSURE OF INTERESTS**

### **1. Disclosure of interests**

- (a) *Interests and short positions of our Directors in our share capital and our associated corporations following the Capitalization Issue and the Global Offering*

Immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme, the interests or short

positions of the Directors and the chief executive in the shares, underlying shares and debentures of our Company and our associated corporations, within the meaning of Part XV 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 which he is 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 recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in the shares, underlying shares and debentures of our Company and our associated corporations:

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Approximate percentage of interest in our Company<sup>(6)</sup></u>
Mr. Ding <sup>(1)</sup>	L <sup>(4)</sup>	Interest in a controlled corporation	262,684,813 - 318,077,318	32.84 - 39.76%
Ms. Ding Lizhen <sup>(2)</sup>	L <sup>(4)</sup>	Interest in a controlled corporation	42,240,000	5.28%
		Beneficial owner	800,000 <sup>(5)</sup>	0.10%
Mr. Ding Peiyuan <sup>(3)</sup>	L <sup>(4)</sup>	Interest in a controlled corporation	42,240,000	5.28%
		Beneficial owner	800,000 <sup>(5)</sup>	0.10%
Mr. Gu Jishi	L <sup>(4)</sup>	Beneficial owner	800,000 <sup>(5)</sup>	0.10%

Note:

- (1) *Think Wise is wholly-owned and controlled by Mr. Ding, an executive Director. Accordingly, Mr. Ding is deemed to be interested in all the Shares in which Think Wise is interested pursuant to the SFO.*

*The number of Shares to be transferred to Chance Talent upon exercise by Chance Talent of the exchange rights under the Exchangeable Notes will vary pursuant to the terms of the Exchangeable Notes. For illustration purpose only, adopting the mid-point of the indicative Offer Price range of HK\$1.96 per Share, Think Wise's interest in our Company upon the Listing will range from approximately 32.84% to approximately 39.76% upon the Listing.*

- (2) *Snowy Wise is wholly-owned and controlled by Ms. Ding Lizhen, an executive Director. Accordingly, Ms. Ding Lizhen is deemed to be interested in all the Shares in which Snowy Wise is interested pursuant to the SFO.*

- (3) *Rightful Style is wholly-owned and controlled by Mr. Ding Peiyuan, an executive Director. Accordingly, Mr. Ding Peiyuan is deemed to be interested in all the Shares in which Rightful Style is interested pursuant to the SFO.*

- (4) *The letter "L" denotes long position.*

- (5) *Each of Ms. Ding Lizhen, Mr. Ding Peiyuan and Mr. Gu Jishi, an executive Director, has been granted an option to subscribe for 800,000 Shares under the Pre-IPO Share Option Scheme.*

- (6) *On the basis that the Listing will be completed on or before October 31, 2014, without taking into account of any Shares to be issued upon exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme.*

- (b) *Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

Immediately following completion of the Capitalization Issue and the Global Offering and taking into no account of any shares which may be allotted and issued upon exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme, in addition to the interests disclosed under paragraph (a) above, so far as the Directors are aware, the following persons are expected to have interests or short positions in the shares or underlying shares of our Company which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, 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 any member of our Group.

Interests and short positions in the shares and underlying shares of our Company:

<u>Name</u>	<u>Nature of interest</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding<sup>(8)</sup></u>
Think Wise <sup>(1)</sup>	L <sup>(7)</sup>	Beneficial owner	262,684,813 - 318,077,318	32.84% - 39.76%
Opulent Ample <sup>(2)</sup>	L <sup>(7)</sup>	Beneficial owner	42,240,000	5.28%
Mr. Ding Weizhu <sup>(2)</sup>	L <sup>(7)</sup>	Interest in a controlled corporation	42,240,000	5.28%
Snowy Wise <sup>(3)</sup>	L <sup>(7)</sup>	Beneficial owner	42,240,000	5.28%
Rightful Style <sup>(4)</sup>	L <sup>(7)</sup>	Beneficial owner	42,240,000	5.28%
Splendid First <sup>(5)</sup>	L <sup>(7)</sup>	Beneficial owner	41,600,000	5.20%
Ms. Ting Lai Yan <sup>(5)</sup>	L <sup>(7)</sup>	Interest in a controlled corporation	41,600,000	5.20%
Chance Talent <sup>(6)</sup>	L <sup>(7)</sup>	Beneficial owner	43,522,682 - 98,915,187	5.44% - 12.36%

*Note:*

- (1) *Think Wise is wholly-owned and controlled by Mr. Ding. Accordingly, Mr. Ding is deemed to be interested in all the Shares in which Think Wise is interested pursuant to the SFO.*

*The number of Shares exchangeable upon exercise of the exchange rights under the Exchangeable Notes will vary depending on the terms of the Exchangeable Notes. For illustration purposes only, adopting the mid-point of the indicative Offer Price range of HK\$1.96 per Share, Think Wise's interest in our Company will range from approximately 32.84% to approximately 39.76%.*

- (2) *Opulent Ample is wholly-owned and controlled by Mr. Ding Weizhu, the father of Mr. Ding, Ms. Ding Lizhen and Mr. Ding Peiyuan, each an executive Director. Accordingly, Mr. Ding Weizhu is deemed to be interested in all the Shares in which Opulent Ample is interested.*

- (3) *Snowy Wise is wholly-owned and controlled by Ms. Ding Lizhen, an executive Director.*

- (4) *Rightful Style is wholly-owned and controlled by Mr. Ding Peiyuan, an executive Director.*

- (5) *Splendid First is wholly-owned and controlled by Ms. Ting Lai Yan, an elder sister of Mr. Ding, Ms. Ding Lizhen and Mr. Ding Peiyuan, each an executive Director. Accordingly, Ms. Ting Lai Yan is deemed to be interested in all the Shares in which Splendid First is interested.*

- (6) *The exact number of Shares to be transferred to Chance Talent upon exercise by Chance Talent of the exchange rights under the Exchangeable Notes will vary pursuant to the terms of the Exchangeable Notes. For illustration purpose only, adopting the mid-point of the indicative Offer Price range of HK\$1.96 per Share, Chance Talent's interest in our Company upon the Listing will range from approximately 5.44% to approximately 12.36%.*
- (7) *The letter "L" denotes long position.*
- (8) *On the basis that the Listing will be completed on or before October 31, 2014, without taking into account of any Shares to be issued upon exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme.*

## 2. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalization Issue and the Global Offering (without taking into account Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of options granted under our Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, 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 our general meetings;
- (b) none of our Directors has any interest or short position in any of the Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;
- (c) none of our Directors nor any of the parties listed in the section headed "Other Information — Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (d) none of our Directors nor any of the parties listed in the section headed "Other Information — Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "Other Information — Consents of experts" in this Appendix:
- (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

- (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;
- (f) none of our Directors or their associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

## F. PRE-IPO SHARE OPTION SCHEME

### 1. Summary of terms

The purpose of the Pre-IPO Share Option Scheme is to give our employees an opportunity to have a personal stake in our Company and help motivate our employees to optimize their performance and efficiency, and also to retain our employees whose contributions are important to the long-term growth and profitability of our Group. The principal terms of the Pre-IPO Share Option Scheme, approved by written resolutions of our Shareholders dated December 27, 2013 are substantially the same as the terms of the Share Option Scheme except that:

- (a) the subscription price per Share under the Pre-IPO Share Option Scheme is equal to 80% of the final Offer Price;
- (b) the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 7,000,000 Shares, representing approximately 0.9% of the enlarged share capital of our Company immediately after completion of the Capitalization Issue and the Global Offering (without taking into account any Shares to be issued upon exercise of the Over-allotment Option);
- (c) all options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner:

<u>Period within which option can be exercised</u>	<u>Maximum percentage of entitlement</u>
Any time after the first anniversary of the Listing Date	30% of the total numbers of options granted
Any time after the second anniversary of the Listing Date	30% of the total numbers of options granted
Any time after the third anniversary of the Listing Date	40% of the total numbers of options granted

- (d) save for the options which have been granted as at the Latest Practicable Date, no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date; and
- (e) each option granted under the Pre-IPO Share Option Scheme has an eight-year exercise period.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the 7,000,000 Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

## 2. Outstanding options granted

As at the date of this prospectus, options to subscribe for an aggregate of 7,000,000 Shares (representing approximately 0.9% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised) at an exercise price equal to 80% of the final Offer Price have been conditionally granted to 21 participants by our Company at a consideration of HK\$1.00 under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme were granted on December 27, 2013 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

The options have been conditionally granted based on the performance of the grantees who have made important contributions and are important to the long term growth and profitability of our Group. A total of 21 employees including three executive Directors and four members of the senior management of our Group (whose particulars are set out in the section headed “Directors and Senior Management” of this prospectus) have been conditionally granted options under the Pre-IPO Share Option Scheme.

A full list of such grantees containing all the details in respect of each option required under paragraph 10 of the Third Schedule to the Companies Ordinance and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules is set out below:

<u>Grantee</u>	<u>Position</u>	<u>Address</u>	<u>Number of Shares to be issued upon full exercise of the Pre-IPO Share Option</u>	<u>Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Option</u>
Ding Peiyuan	Executive Director and Chief Operating Officer	15B, Baoshan Garden Hai'an Road Donghai Subdistrict Quanzhou Fujian PRC	800,000	0.1000%
Ding Lizhen	Executive Director and Vice President	Room 405, Building No. 5 Fuxin Garden Fengze Street Quanzhou Fujian PRC	800,000	0.1000%
Gu Jishi	Executive Director and Vice President	No. 9, Unit 3 No. 7, Paotongshu Street Qingyang District Chengdu Sichuan PRC	800,000	0.1000%



<u>Grantee</u>	<u>Position</u>	<u>Address</u>	<u>Number of Shares to be issued upon full exercise of the Pre-IPO Share Option</u>	<u>Percentage of enlarged share capital of our Company after full exercise of the Pre-IPO Share Option</u>
Ding Wanwan	Head of the production center	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	800,000	0.1000%
Ng Cheuk Him	Chief Financial Officer and Joint Company Secretary	Flat E, 2/F., Leung Chau Building 78 Un Chau Street Sham Shui Po Kowloon Hong Kong	700,000	0.0875%
Chong Pui Shan	Design Director	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	500,000	0.0625%
Wu Chentong	Finance Manager	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	430,000	0.0538%
Li Guomin	Finance Deputy Manager	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	400,000	0.0500%
Xu Yanming	Brand Management Manager	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	300,000	0.0375%

<u>Grantee</u>	<u>Position</u>	<u>Address</u>	<u>Number of Shares to be issued upon full exercise of the Pre-IPO Share Option</u>	<u>Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Option</u>
Lu Yanping	Secretary to the Chairman of the Board and Joint Company Secretary	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	200,000	0.0250%
Zhang Yi	Sales Manager	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	150,000	0.0188%
Zeng Xianzi	Head of the Logistics Center	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	150,000	0.0188%
Lai Ke	Sales Manager	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	150,000	0.0188%
Ji Sheng	Human Resources Consultant	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	120,000	0.0150%
Zhang Jing	Senior staff with Marketing and Sales Center	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	100,000	0.0125%

<u>Grantee</u>	<u>Position</u>	<u>Address</u>	<u>Number of Shares to be issued upon full exercise of the Pre-IPO Share Option</u>	<u>Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Option</u>
Dong Dong	Senior Staff with Product Center	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	100,000	0.0125%
Wang Fang	Senior staff with Marketing and Sales Center	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	100,000	0.0125%
Huang Binyu	Senior staff with Marketing and Sales Center	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	100,000	0.0125%
Luo Renlin	Senior staff with Marketing and Sales Center	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	100,000	0.0125%
Zhang Yanyan	Senior staff with Product Center	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	100,000	0.0125%
Zheng Xiaohong	Senior staff with Marketing and Sales Center	Employee Dormitory Building A No. 168, Chong Rong Street Economic Technology Development Zone Quanzhou Fujian PRC	100,000	0.0125%

The options issued under the Pre-IPO Share Option Scheme represent approximately 0.9% of our Company's enlarged issued share capital as at the Listing Date (without taking into account any Shares to be issued upon exercise of the Over-allotment Option). If all options are exercised, this would have a dilutive effect on our Shareholders of approximately 0.9% and a dilutive effect of approximately 2.5% on earnings per Share such that the forecast earnings per Share for the year ending December 31, 2013 will be diluted from approximately HK\$0.2 to approximately HK\$0.195. However, as the options are exercisable for a period of eight years, any such dilution and impact on earnings per Share will be staggered over several years. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

Our Directors have undertaken to our Company that they will not exercise the Options granted under the Pre-IPO Share Option Scheme to such extent that the Shares held by the public (as defined in the Listing Rules) after completion of the Global Offering and the Capitalization Issue will fall below the required percentage set out in Rule 8.08 of the Listing Rules or such other percentage as approved by the Stock Exchange from time to time.

### **G. SHARE OPTION SCHEME**

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of our Shareholders passed on December 27, 2013 (the "Adoption Date"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

#### **1. Purpose**

The purpose of the Share Option Scheme is to give the Eligible Persons (as mentioned in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

#### **2. Who may join**

The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:-

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Executive"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Employee");
- (b) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (c) a direct or indirect shareholder of any member of our Group;
- (d) a supplier of goods or services to any member of our Group;

- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (g) an associate of any of the persons referred to in paragraphs (a) to (f) above (the person referred above are the “Eligible Persons”).

### 3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 80,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company, options granted under the Pre-IPO Share Option Scheme or options to be granted under the Share Option Scheme (the “Scheme Mandate Limit”) provided that:

- (a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of the Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and 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 schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;
- (b) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company should issue a circular to our Shareholders containing the details and information required under the Listing Rules.
- (c) The maximum 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 Group shall not exceed 30% of our Company’s issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

As of the Latest Practicable Date, no Option has been granted under the Share Option Scheme.

### 4. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month

period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his or her associates abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

#### **5. Offer and grant of Options**

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

#### **6. Granting Options to connected persons**

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. All connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates.

**7. Restriction on the time of grant of Options**

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until our Company has announced such information pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

**8. Minimum holding period, vesting and performance target**

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

**9. Amount payable for Options and offer period**

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "Acceptance Date"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

**10. Subscription price**

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five Business Days (as defined in the Listing Rules) immediately preceding the offer date.

**11. Exercise of Option**

- (a) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (b) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.
- (c) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.
- (d) Subject as hereinafter provided:
  - (i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanent disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;
  - (ii) in the event that the grantee ceases to be an Executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement



scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

- (iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:
  - (1) the Option period (in respect of any particular Option, the period commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by our Directors to each grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Share Option Scheme);
  - (2) the period of two months from the date of such notice; or
  - (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.
- (v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, 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 our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

## **12. Life of Share Option Scheme**

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

## **13. Lapse of Share Option Scheme**

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

- (a) the expiry of the Option period;
- (b) the expiry of any of the period referred to paragraphs related to exercise of the Option;
- (c) subject to the terms of the period mentioned in the paragraph headed “Share Option Scheme — Exercise of Option” in this section, the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the Option;
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

## **14. Adjustment**

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or

- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) as it was before such event;
- (b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to Share Option Schemes); and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

#### **15. Cancellation of Options not exercised**

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

- (a) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to the Board for the Option to be cancelled; or
- (c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

#### **16. Ranking of Shares**

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or,

if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

### **17. Termination**

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

### **18. Transferability**

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

### **19. Alteration of Share Option Scheme**

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the our Shareholders in general meeting:

- (a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);
- (b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee; and
- (c) any alteration to the aforesaid termination provisions.

provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

## 20. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (a) subject to (b) and (c) below, the approval and adoption of the Share Option Scheme by our Shareholders;
- (b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 80,000,000 Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme; and
- (c) the commencement of dealing of the Shares on the Main Board of the Stock Exchange.

If any of the above conditions are not satisfied on or before the date which is 30 days after the date of this prospectus (or such later date as the Board may decide), the Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme. Application has been made to the Stock Exchange for the Listing of 80,000,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

## H. OTHER INFORMATION

### 1. Estate duty, tax and other indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity with our Company (for ourselves and as trustee for each of our subsidiaries) on December 16, 2013 to provide indemnities in respect of, among other matters, certain liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of certain transfers of property (by virtue of section 35 and/or section 43 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of our Group on or before the date on which the conditions of the Global Offering are fulfilled or waived in accordance with the terms set forth in the sub-section headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus (the “Relevant Date”).

Pursuant to the Deed of Indemnity, our Controlling Shareholders have also given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, any taxation which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Relevant Date or any event or transaction on or before such 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.

In addition, our Controlling Shareholders have also jointly and severally agreed with each of the members of our Group that it will indemnify and at all times keep them and each of them fully indemnified on demand against any penalties or fines arising from (a) the aromatic amine levels in a batch of 9,740 deep-blue children’s jeans (Product Number: RQF115284) manufactured by a manufacturer of our Company exceeding the safety threshold under the National General Safety Technical Code for Textile Products (GB18401-2010) according to the product quality

examination result published by Beijing Consumer Association in May 2013; and (b) a batch of 498 units of our Company's boy's knitted jackets (Product Number: RQF113017) failing to meet the fiber content analysis, instructions guidance and the durability of fabric color tests under the relevant national quality standards, and a batch of 8,848 units of our Company's boy's hoodies (Product Number: 1230418) failing to meet the fiber content analysis and the durability of fabric color tests under the relevant national quality standards according to an examination result released by Jilin Bureau of Industry and Commerce in April 2013, together with all necessary costs (including all legal costs), expenses, all interests, penalties or other liabilities which any of the members of our Group may proper and reasonably incur in connection with (i) the investigation, assessment, contesting or the settlement of any claim under the Deed of Indemnity; (ii) any legal proceedings in which any of the members of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any of the members of our Group; or (iii) the enforcement of any such settlement or judgment referred to in (i) and (ii) above, falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Relevant Date or any event or transaction on or before the Relevant Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such claim could be pursued against or attributable to any other person, firm or company.

The Deed of Indemnity does not apply:

- (a) to the extent that provision or allowance has been made for such liability, taxation or claim in the consolidated audited accounts (the "Accounts") of our Group for the three years ended December 31, 2012 and the six months ended June 30, 2013; or
- (b) to any liability or claim falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after June 30, 2013 unless such liability or claim would not have arisen but for any act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of our Controlling Shareholders other than any such act, omission or transaction:
  - (1) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after June 30, 2013; or
  - (2) carried out, made or entered into pursuant to a legally binding commitment created on or before June 30, 2013; or
  - (3) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation; or
- (c) to the extent that any claim arises or is incurred as a result of any retrospective change in law or practice coming into force after the Relevant Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Relevant Date with retrospective effect; or
- (d) to the extent of any provision or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the

amount of any such provision or reserve so applied to reduce our Controlling Shareholders' liability in respect of such taxation shall not be available in respect of any such liability arising thereafter.

## **2. Litigation**

As at the Latest Practicable Date, neither we nor any of our subsidiaries were/was 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 its results of operations or financial condition.

## **3. Preliminary expenses**

Our estimated preliminary expenses are approximately US\$6,500 and have been paid by us.

## **4. Promoter**

There are no promoters of our Company.

## **5. Joint Sponsors**

The Joint Sponsors made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and may be granted the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

## **6. No material adverse change**

Our Directors confirm that as of the date of this prospectus, there has been no material adverse change in their financial or trading position or prospects since June 30, 2013 (being the date to which our latest audited consolidated financial statements were made up).

## **7. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

## **8. Miscellaneous**

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share 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;

- (c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
- (e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
- (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (g) we have no outstanding convertible debt securities.

## 9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualification</u>
CCB International Capital Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
China Galaxy International Securities (Hong Kong) Co., Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants
Frost & Sullivan	Independent industry consultant
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	PRC legal adviser to our Company

## 10. Consents of experts

Each of CCB International Capital Limited, China Galaxy International Securities (Hong Kong) Co., Limited, KPMG, Frost & Sullivan, Conyers Dill & Pearman (Cayman) Limited and Jingtian & Gongcheng has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.



None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

**11. Bilingual prospectus**

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).